# WILLIAM HILL

## 2011 INTERIM RESULTS PRESENTATION

## 5 AUGUST 2011

**Ralph Topping - William Hill - CEO**

Good morning, and welcome to our interim results. I've always wanted to address - it's been a lifetime ambition to address an intimate meeting of the London Samaritans Group, so thank you for turning up in such numbers today. It's good to see you again. I'm going to kick off today, Neil will take you through the figures, then I'm going to spend a little time sketching out what we're doing, what we're facing and how that will affect the William Hill future. What you see here is a strong result, our operating profit result is up 9%, that's right at the top of expectation. Online, of course, has played a big part in that. We've put a lot of effort into developing our sportsbook last year, and that's continued in 2011.

We've seen superb growth across the piece and not just in in-play betting. To our in-play innovations, we are now adding the benefit of improvements in mobile with growth line there up more than 600%. So retail is also delivering growth. We've seen growth in both slips and stakes and over-the-counter and machines, and those good cash flows have allowed us to reduce our debt. Finally we've taken steps to build an international presence, so like I said, a strong performance. Job done? Far from it. It's a good half even though we rolled over a World Cup, the loss of France. Betting in France, gaming in France, nothing to do with losing France. Some would say that's disappointing news.

And saw some horse racing results go the wrong way. Now we have to go on and make it a good year. But these results show clearly what happens when you focus, when you work hard and when you deliver real innovation across a range of platforms. So let's have Neil put some detail into these figures.

**Neil Cooper - William Hill - Finance Director**

Thank you Ralph. Good morning to you all. The first half of 2011 has seen net revenue and operating profit growth in both retail and in online. I will go through this in a little bit more detail later on in this presentation, but as a result of this growth, net revenue for the Group is up 7% and operating profit is up 9%, both on the prior year comparable period. We've net finance costs falling by over 40% versus the prior year, and with the effective tax rate declining from 25% in the first half of '10 to 19% in the first half of '11, retained profit before exceptional items has grown by 32% to GBP88.3 million and basic adjusted earnings per share has grown by 31% to GBP0.128p per share.

These adjustments are those made in line with the operating profit metric for us, which reflects both the defined amortisation we typically exclude and the exceptional items I'll outline for you in a moment. Taken as a whole, the performance in the half is around the top end of external expectations. The Group saw GBP2.1 million of after-tax exceptional items in the first half. The first item was a pre-tax GBP800,000 charge relating to our impending US acquisitions. We remain on-track to complete those purchases during 2012 as previously guided. Secondly, on-going interest rate expectation movements have generated an adverse GBP1.8 million movement on our hedging instruments.

I would remind you that whilst we de-designated those hedges at the end of 2010, we did not cancel those instruments. And there is a slide included in the appendix of the packs that you have to show you our current expectations of the cash flow through to the end of 2012, which coincidentally is the end of the life of these hedges linked to these hedges.

Moving from the Group to focus on the retail channel, OTC wagering was in year over year growth by around 2% in the first half. Adjusting to remove the positive impact of the bad weather we saw in the first two weeks of 2010 and the negative impact of the three World Cup weeks also in the prior year, the underlying OTC wagering growth remained around 1% for the half as a whole. Despite this positive wagering growth, OTC growths fell by 2% as gross win margins for the half were slightly below our normalized range. More on this later.

Machines continue to grow strongly, with 10% gross win growth. Taken together, overall retail gross win grew by 4%, reducing to 2% in their revenue after taking into account the impact of the increase in VAT from 17.5% to 20% on machine profits. Operating costs remain in-line with guidance, growing by 2.6% and operating profit at GBP104 million was 1% higher than the prior year.

Machines continue to drive profit growth for William Hill retail. Positively, the second quarter, which reflects the first clean, Storm-on-Storm trading period, continued to demonstrate good growth with gross win growing year over year for the quarter by 9%. This only slightly behind the half-year average at 10% and shows only a modest slow-down on the first quarter's 11% year over year growth. Gross win per machine per week has now broached GBP900, a performance which reflects well on our operational approach to this category, an approach that blends good day to day customer service, effective content management, and timely and relevant marketing and promotional activity.

Despite a period of OTC wagering growth in the half, the OTC category saw net revenue fall, impacted by falling gross win margins, from 17.4% in H1 '10 to 16.8% in H1 '11, a 0.6 percentage point fall. Firstly I'd remind you that the World Cup in the first half of '10 generated retail margins of around 33%. The rollover of this event therefore accounts for about 0.4 of the 0.6 percentage points of year over year margin difference. The net impact of the three largest major horse racing festivals taken together made up another 0.1 percentage point. Looking at the detail of these, the Grand National for us saw a modest margin improvement to around 16% but Cheltenham was much less strong, from around 24% gross win margin last year to around 7% in 2011.

Whilst Royal Ascot improved on last year - and frankly it would be difficult not to - it was still an absolutely weak performer for us, at around 3% gross win margin. The quarterly trends through 2011 reflect partly mixed, partly the fact that football was stronger in quarter one than quarter two, thanks in no small way to Barcelona; and partly that the weaker flat racing festivals were in Q2. For example, we saw an 8% margin for the Newmarket Guineas, negative 12% for the Chester May festival, at around a 6% margin for the York trials festival. Non-major festival UK horse racing margins, however, were broadly static year over year.

Total retail operating costs grew by 2.6% year over year, or GBP5.9 million in total. Of this, circa GBP2 million, or around 0.9 percentage points was contributed to by state growth. Of the remainder, the major drivers of cost growth for us include content costs and property costs. The former saw the rollover impact of the second half 2010 SIS tariff increases; the latter saw an increase in repairs and maintenance. We however do remain comfortable with our previous guidance in this area, which is for a total annual growth of between 3% and 4%.

Moving away from retail to online; our online business continues to deliver exceptional results. For the first half, net revenue grew by 23% to GBP152.7 million and operating profit grew by 24% to GBP55.9 million. All verticals grew positively. I'll talk about the sportsbook in more detail in a moment, but gaming grew net revenue by 15%, a growth rate which of course remains adversely impacted by the presence of our French casino business in the first half of 2010. Casino continues to benefit from sportsbook cross-selling as well as from our internet sales and marketing capabilities.

Overall, casino net revenues grew 14%, 29% adjusting for France. Bingo net revenue is in growth by 25% and poker grew by 11%. Sportsbook delivered 51% wagering growth in the first half of '11 versus the comparable period in '10. Whilst the rate of wagering growth slowed in the second quarter from 62% in Q1 to 42% in Q2, I would remind you that the business saw GBP35 million of World Cup wagering in H1 last year, largely in the second quarter. In-play wagering has grown year over year by 95%, benefitting from the very competitive football products and from continued in-play innovation.

For example, a basketball model was launched around the start of the year and ice hockey has been launched in the first half of 2011. Existing football and tennis models have also been further enhanced. In-play wagering made up 43% of the total in the first half of '11, up from around one third in '10 over the same period. If you strip out horse racing, in-play now accounts for 63% of sportsbook wagering. Pre-match wagering, however, also continues to grow at 29% year over year.

Moving to the margin, reflecting similar trends to the OTC category, pre-match gross win margin fell slightly from 9.2% in '10 to 8.8% in '11. In-play gross win margins also fell from 4.8% in '10 to 4.2% in '11. Blended margins fell by 0.9% from 7.7% in '10 to 6.8% in '11. While slightly more than half of this was caused by the underlying margin movements, the blended margin has also been impacted by the increase in the sales mix of the lower yielding in-play category.

Looking ahead, we now expect that normalized margins will continue to show this effect, moving us from a previously guided sportsbook normalized gross win margin range of 7% to 8% to a new range pegged around 7%. Key metrics continue to demonstrate a success to businesses having and driving cross-sell and in developing products which increase share of wallet of existing consumers. Bear in mind that of the 1.6 million UK online punters, 50% have an account with William Hill; not surprising given our very strong UK market awareness.

The focus for the business in the UK therefore continues to be in increasing cross-sell and share of wallet. As the scale of the online business grows, the organization continues to develop. In particular, over the first half of '11, the business has increased its operational IT and international development resources in staff costs and marketing continues to be invested consistently, providing the impetus for strong growth with a marketing to net sales ratio of around 26% in the half. Whilst the intention of the Group is to remain on or around this level for this metric over the long term, short-term imperatives such as non-UK regulated market entry may see this alter.

Specifically, looking to the second half of '11 we expect to see this ratio move upwards, reflecting the impact of the marketing investment on entry into the regulated Italian casino market, which went live last month. For the year as a whole, therefore, we expect that his ratio will go up but it will remain below 30%. Following the closure of the UK telephone business and the establishment of a telephone business in Gibraltar, the first half has seen a modest profit versus the prior year loss.

It is early days for this unit in Gibraltar, with on-going commercial and operational tweaks to maximize profit. Most pertinently, and given continued wagering decline, we have now introduced best odds guaranteed, with which we hope to combat current trends. As you may not be surprised to hear, with around GBP46 million of goodwill on the balance sheet, we will be monitoring trends over the second half of 2011 very closely.

Moving away from individual channels back towards the Group income statement as a whole, we saw finance costs fall sharply in 2011 with GBP16 million of net finance changes for the half, a 42% reduction on the prior year. This has benefitted from a combination of hedge de-designation, a general reduction in debt levels and the cheaper coupon arising from the debt refinance in Q4 2010. Net debt for covenant purposes was GBP460 million, down from GBP530 million at the 2010 half-year and from GBP499 million at the 2010 year end. Net debt over EBITDA now stands at one-and-a-half times.

As indicated at the 2010 prelims, our capital expenditure has increased this year. The Group spend GBP24.4 million in H1 versus GBP14 million in the comparable prior year period. The Group opened 11 shops and closed five in the UK and also closed a further 20 loss-making shops in the Republic of Ireland, which we flagged at the end of 2010. Current expectations of CapEx for the full year will be down on previous guidance and around GBP60 million.

Moving to cash flow, the first half saw the Group generate GBP46 million of cash prior to retiring GBP45 million of debt and seeing its cash balance move upwards by GBP1 million. Above that, whilst the Group generated GBP129 million of net cash from operating activities, this was around GBP4 million behind the prior first half. Whilst 2011 saw higher EBITDA at a lower cash interest, there were higher outflows in working capital and the ante post movement year over year was negative, linked to unsettled World Cup bets. Last year also saw - and I'd remind you - of GBP5.6 million VAT refund. Below cash from operations, there were also increases in investing and financing cash outflows versus the prior year, with dividends, Capex and minority interests all higher than in the comparable period.

Looking ahead towards the end of the year, we now anticipate a neutral working capital position for the year as a whole, which is an improvement on the previous guidance we gave you. And moving on to other finance matters, in terms of tax, the effective tax rate for the first half of the year was 19%. We now expect that the full year will also be around this rate of 19% and that 2012 will be around 20%. Our cash effective tax rate guidance has remained unchanged. The pension deficit on an accounting basis fell by nearly half between the end of '10 and the balance sheet date in June.

This was due to favourable movements on actuarial assumptions in regards to liabilities. I should note that there is a triennial revaluation underway at present which is expected to land during the second half of this year, and it is this triennial revaluation which will form the basis of discussions between the Group and the pension fund in regards to funding levels going forward. Finally, I and the Group are both very pleased to highlight the 16% increase in our interim dividend per share, from GBP0.025 in '10 to GBP0.029 per share in '11.

Moving to regulation, I guess I can describe this as a very busy few months for us in terms of the regulatory environment. Firstly you'll be aware that the UK Government recently announced its intention to introduce a new licensing regime for offshore operators. Whilst in day-to-day terms we anticipate that this will not be a major issue given our adherence to UK operating standards, this has then led to a treasury announcement relating to a review of the current tax framework for the offshore operators. Unfortunately we have no further information on the timing of that review and obviously we're not in a position to forecast the outcome.

The UK has also announced its second consultation into the replacement of the current VAT-based tax regime for gaming machines with a new gaming duty. Again, no further details on rates are as yet available. The Government is also quite busy this year. The Government is also taking submissions on the future funding of racing, having regards to the recent levy discussions which required the Minister to arbitrate. Again, we expect formal consultation on this topic during the second half of 2011. Finally on regulation, other European countries continue to progress legislation in relation to online gambling, although a number, including Greece and Germany, are now finding that their draft proposals are being challenged as not being consistent with European law.

We continue to monitor these developments very closely. Finally, moving on to our latest trading; our current trading update is for a five-week period to 2 August. The prior year comparable contained two World Cup weeks and indeed very are successful for us in the final itself. Taking that into the mix, Group revenue was down 2% over the period. For retail, amounts wagered was up 6% but net revenue was down 6%. Machines continued to deliver a good performance.

OTC stakes were down, reflecting the World Cup impact, but underlying OTC stakes saw modest growth on average over the three non-World Cup weeks. Online continued positively with 21% revenue growth and with a 36% increase in sportsbook stakes. The performance over this five weeks has been in line with our expectations. Thank you for listening. I'll now hand you back to Ralph, who will further outline our approach to investing for growth.

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**Ralph Topping - William Hill - CEO**

Thanks Neil. Now I'd like to look at where we are and where we go from here. The numbers are an outcome of the challenges we face. We had, as the poet William Henry Davies put it - who wasn't the resident of Rayners Lane - no time to stand and stare. Rather we were full of care. Now, we sorted out problems, we got on with development of the business quickly. Fact is, we were beginning to differentiate William Hill. I want to talk about three areas where we have been innovative and changed our approach positively and significantly - pricing, product, technology.

Pricing; this is a really competitive marketplace, and we are out there competing for every pounds. That's the reality of our life. We offer top prices, we lay big bets and we stand by our prices. I want you to see this in action, which is why we're going to invite a number of you up to Leeds to see the trading team at work. But in the meantime, let me give you a few examples. I haven't been idling the time away the last 40 years of William Hill. I do know a wee bit about the business and the industry and what our punters want to back, and it's not rocket science. It's the favourite, or when we give in to patriotism, it's the local boy or girl. So far this year we've been stand-out in all the biggest betting opportunities. Neil's already highlighted Barcelona in his slides.

Across the Group, we paid out more than GBP10 million and the match itself cost us GBP2.7 million. Listen, that was an easy win for us. It was actually money well-spent to reinforce our reputation and to get punters coming back. The differential in pricing between us and new bookmakers like Betfair was real but in the scheme of things, not so very great. But we led the market on the match and we would have done significant money anyway given everyone and their uncle wanted to back the Catalans. It was one of the most lopsided books in recent betting history.

We went a bold three to one on the Queen's horse and the derby when the rest of the market was pushing seven to four and with an obvious lack of appetite to take on Her Majesty's money on the one horse the customers wanted to bet. It was the same with So You Think in the Coral Eclipse with Don't Push It and The National with Frankel last week at Goodwood. William Hill stands our prices. We just don't claim best price and offer that for nanoseconds. We stand our prices.

Then there was the Open in July; McIlroy, Donald, Westwood went into the event in the form of their lives. On the opening day, we stood a mile on our prices. By lunchtime, we had a liability over GBP1 million on each and every one of those golfers.

Looking at the David Haye fight, if he'd won in round six, we stood to pay out GBP2.3 million. It's not just prices, it's also big bets, with many four, five and six-figure bets laid over-the-counter and retail, particularly in the period April through June. We are a mass market bookmaker, and we're also realistic bookmakers. I would call us real world bookmakers. How do you recognize a real world bookmaker when you bump into him in the betting shop? Real world bookmakers know not all World Cup turnover is incremental. They know that punters like prices rather than loyalty cards. They know that after a month, not three years. Real world bookmakers also see what they see, not what they want to see. And when people know you've got value prices and you lay those prices, they keep coming back. That's just good competitive sense.

It's even more important with a product like racing, being in the state it is right now. The first half shows it's still challenging. But last time I stood in front of you I said that we would demonstrate that it's still a product that can grow. We've promoted racing aggressively last year and this year. Neil talked about the margin results having been great. The margin has been squeezed with fewer run-ups per race, caused by fewer horses in training and too much competition perhaps on pricing at the time, but actually we've seen a 4% increase in horse racing slips in the half, 4%, and a 6% increase in slips at the major festivals including double digit growth at Cheltenham and Ascot.

There are signs of improvement in the racing product and we are as a service especially focusing on the big meetings. So we don't let anyone take the high ground on pricing. For years, exchange enthusiasts have peddled the idea that the bookmaking industry is afraid to take a bet. Well, William Hill has this approach to trading. We're confident in our prices and we are giving punters a fair crack.

We stand out on our product too. Last year I said we would offer more football product than anyone else. We're now there - 188 pre-match markets and all top-flight football matches and more than 100 markets in all in-play football. And while everyone obsesses about the English Premier League, quite rightly, let me tell you that we took bets on 519 different leagues and competitions worldwide in the last season. I don't think Jules Verne had this many leagues under the sea, but we took bets on 519 leagues. This business is becoming 24/7 and it follows the sun. So what we've done for football we're now doing for other sports.

Tennis is our second-largest in-play product. This year we were the only bookmaker offering point-by-point betting on every game at Wimbledon. Our number of bets is up 81% and our gross win is up 57%. Basketball may be much smaller but it shows what can be achieved when we transform our in-play product. We launched our new model at the back end of last year - in the first half, bets are up 208%. Our turnover is up 196% and gross win is up 582%. The same combination as with football; better turnover, good margin, giving good gross win growth. We're just past the halfway mark.

Think about it, that already our gross win in football and tennis in-play has almost matched the whole of last year. Halfway matches the whole of last year. In basketball, it's miles ahead. Now, we've put a lot of brainpower into in-play betting. It's beginning to pay off and there's much more to come.

We all know retail right now is a tough business. When the growth was Storm everybody was happy, big smiles on our faces. It was easy to explain. That was tangible. What we've said all along, it's not just about having cabinets. It's about having the best cabinets.

Although we do, that's just the start of the story. It's using those cabinets to the full. What I mean by that, it actually means keeping the customers interested, giving them new games, giving them the right offers, engaging the staff with a product, giving the staff an incentive to promote them. We've launched 10 new games in the first half and no one is updating the games like we are.

Another stat for you, when the new regulations came in around a GBP2 stake on the B3 games, we launched it on 15 games, 15 games. Most of the opposition launched it on three games. We're now at GBP900 per machine per week. Now, that is a good number in the business, the William Hill business. William Hill is in practically every village, every town and every city in the United Kingdom. We are not a localized business. But it's not enough.

I'm already pushing my machines team forward to the next big thing and we're going to start showing you that again in Leeds when you come up to see us. One more area of innovation is mobile, but being realistic, making it a little bit less back-slapping. We're definitely in catch-up mode in mobile but we're catching up very, very quickly. Everyone and their uncle has jumped on the mobile bandwagon. Everyone now sees which way it's going. But actually my view, not everyone understands the punter. It's not just enough to take the existing product - sportsbook casinos and turn them into an app. That's not what mobile's about.

To the punter, mobile betting is about instant information, constant access to more opinion and data than they've ever had before. That's actually why we went down the Racing Post route, and we're going down similar routes which we'll tell you about very shortly. The definitive information source for the horse racing punter is the Racing Post app, with a route straight into William Hill for betting and William Hill only for betting, and more than GBP1 million bets taken in the first six months from a standing start. We've also revamped our mobile sportsbook, in our view, it's the best in the market. If you haven't seen it, take a look. In February I told you our internal target on the sportsbook was to hit GBP5 million turnover a week within 30 months.

When I stood up here and said that, we were on GBP1.3 million a week. Last week just finished it was GBP3.3 million. We'll cover more of that when we see you in Leeds. So mobile gross win is up more than 600%. Big tick in the box. Number of bets is up almost 800%, another big tick in the box. We're not yet in the App Store. You don't want to hear the excuses from me why that's the case. I've got Jamie over here. He'll give you all the excuses you could wish to hear on that. I've heard them all, Jamie's heard them all. We've had them up to here, so there's no more excuses. We're going to make it happen.

The same with gaming -- we want to fight our way into the full obtain of online bingo operators, but we won't begin to do that until we've got a decent app, and we're on with producing that decent app.

You might be wondering why I'm talking like the team is listening. Well, they are actually, because back home at the ranch, swallowing hard when they hear messages like this, and we're broadcasting on the webcast. Two, Jamie is sitting here in the front row. Many of you will have heard me extol Jamie's virtues more than once. He and I have worked together almost 12 years on and off. It's a father and son relationship - for avoidance of doubt, I'm the father in the relationship, he's the son, just in case anybody's getting confused.

We're using Jamie's talents to deliver innovation and strong customer focus in online and he is one of the most talented individuals in the online sphere. So thanks to Jamie, his team and others in Gibraltar, the graph is going the right way. But I want it to be steeper. So mobile is good at the moment, it's very good. Our ambition is to make it outstanding. Time's short, we need to get there fast and we won't be happy until we do so.

When I stood up here in February we talked about being a multi-channel business, and I think that's our other big advantage, because we're not talking about we're either this or we're that, we're online or retail. We're a mixture of all four; retail, online, telephone and mobile; which makes it even more important we're the best we can be in all those channels. Let's just look at what we can get if we exploit the multichannel approach. First of all, you get a better customer loyalty. 84% of our customers use us most often. For our nearest competitor that's 74%.

Given a free choice the 74% comes up again, 74% of our customers would always choose us. For our nearest competitor, that's a number in the mid-60s.

I've talked about betting and gaming for a long time, betting and gaming, not just being a betting company but being a betting and gaming company and I've emphasized our customers don't see retail as OTC versus machine. Neither do I. I really don't anymore, it's a nonsense.

The online statistic continues to grow, with almost half our online customers now using more than one product. Two thirds of the machines' customers also bet over the counter. Now this is interesting, there are sizeable percentages of customers who bet online with William Hill who also come into our shops to place bets.

Our rivals just don't see that level of crossover. We have a really strong brand and that facilitates that, as well as the offering. It's true of gaming too. Again, more than our competitors and interestingly in increasing numbers as well.

Which is partly a result of having the best machines and the newest games, but also because we are learning how to promote products across multiple channels. Very important thing to learn how to promote products across multiple channels.

I've always been very clear that our approach is not a flight to new channels but flow through consistent innovation across all channels. We have involved customers online and customers in our shops. Guys, we've got customers.

The foundations of the brand have always been in a retail operation. They still are but it's not a one way street with online simply benefitting from the brand reputation by retail. Rather we see here how retail itself can benefit from the cross promotion.

This has caught the lot. This is the first time we've launched a new game across online and the machines simultaneously. We cross promoted the same game across both channels and saw higher than normal results in both channels.

In this room, over the last few years, we've talked a lot about retail. The left hand side of the room has generally, from research, talked about structural decline whereas the right hand side of the room has talked about cyclical impact. We're hoping that we can fill the corridor at some point and talk about something else. Maybe a resilient - make that the resilience corridor because I've certainly talked about resilience for the last three and a half years I've been standing up here.

I've used the word resilient every time I've been up here and this is what I mean by resilient. We showed you this graph in February. Here's the update with the first half trading.

The graph tells a story and this is through some of the toughest trading, the worst economic conditions any of us have ever seen. I'm very mindful of the pain the UK working man is suffering. The ASDA household income tracker is a good barometer for how the average household is feeling and it's fallen for the last six months.

Last but far from least, the market on left from taking a very strong brand out to customers as a truly multichannel offer.

We spent 19% of UK online net revenue on UK marketing in the first half and you know how that stacks up against the competition. We don't have to spend the money our competitor does on spending to build a brand in the UK. 19% of online revenue spent and a 39% growth in online revenue.

So why aren't I happier? Partly it's genetics. I was - I want to say that I was born miserable and I've been developing that as I get older. I learned that watching, I like racing, that front runners can wander in front, and I can also apply it to bipeds as well, it's not just the quadrupeds' activity. It's human nature.

Executives have been known to relax on the job. I've seen it happen and I'm not going to let it happen here. We can't afford complacency at William Hill. The moment we take a breather, that is the moment we're back among the field. I don't think we've won anything yet.

There's a lot more to do, there's a lot more to achieve. The UK, in particular, is a very competitive market but it's our core market and there are opportunities for my executives, for William Hill, for this brand, to maximize the multichannel business.

Sure, retail will be tough but we're doing better than most and we're winning market share and we've arguably never been better positioned than now.

In retail we've got one competitor tying itself up in knots, some of the Gordian variety. One tied up in debt and one tying itself to not trying to tie itself to another and in online some of these big names aren't even competing yet, while others are sweating over how exposed their revenues are, another operating more than what's going to get approved outside the UK.

My team have never had a better opportunity to advance ahead of our competitors. So what are we doing about it?

I hope you can see why we've remained so involved in retail. Now we have some really good new technology coming in, with good results from early trials of self-service betting terminals. Good results from early trials.

The customers like them. It gives them access to more of those markets we've been building and trading. More in running markets and interestingly, more international markets and we're getting a good percentage out of the business we're taking.

We're developing some terrific gaming platforms for the shops too and again, come to Leeds and we'll show you, it's a real eye opener.

We're working hard on new products and looking at ways to improve what we do with horse racing, as I've referred earlier. I've said often enough what I think of the product that racing is generating.

Well, I think it's got a bit better. Not to the point of being great, but certainly better. But I'll take any improvement I can get. But what about the product we're generating? That's where Terry Parkinson and Jamie come in.

Trading are working up a much more competitive product, moving to make a bet on the horses interesting again. And again, we'll show you that when it's launched and probably show you a rough draft of it when you come up to Leeds. We're not too far away from launching it.

Then there's mobile. I think they're good figures. They're not great figures from my point of view. They should be better still. The new mobile Sportsbook isn't even in the numbers we've shown you and I think it's excellent.

The mobile guys know what I'm expecting of them. I'd say its GBP5 million turnover a week in sports betting, as soon as possible, and no later than 18 months from back then. They also know I'm not going to be happy until I get it.

The UK isn't big enough for our ambitions. We like regulated markets and markets that claim to regulate. We've told you about Austria already. That's more than 180% ahead year on year. In Spain and Greece we've started pushing newspaper advertising and both are performing well.

We now we're alive in Italy with our casino product, with other products to follow in the coming months but I think we should be looking for more than online as route to these customers.

You know about our acquisitions in the States. I don't want to say a lot while the Nevada regulators are going through our license applications. They're going through them right now. I'm told that they'll be over to see us in October. That will be interesting, I'll be in Tanzania, but I do want to say that everybody and everything we've seen since doing the deal has made us more excited about the opportunities for us over there.

There are other things to keep us occupied. There's never been a time when government hasn't taken a look at this industry. It's happened under Labour, it's happened under the Tories and I'm sure if the Liberals ever came into power they would take a look at is as well.

The government is taking a good look and I think it knows it's in danger, in some places, of stepping into a legal minefield.

William Hill is taking a lead in those talks. I can tell you we have embarked really good dialogue with the civil servants who know most about the subject and I'm also looking forward to a meeting that I've got with John Penrose and hopefully with one of the treasury ministers in the near future. Both are pencilled in.

Frankly, I'll not be surprised the government hasn't got time to look at betting with everything else going on. I thought they might have come in and tried to get a few billion on with us, to try and get them out of the hole, but I've not seen anybody lurking about in a pair of black shoes and shorts recently in any of our shops.

But I'm sure that before trying to bank a wee bit more ties at one end they'll really think through the implications for employment at the other. Of course they're looking for growth and will actually find it by freeing up industries like ours, who are mass employers with good ambitions to expand overseas in a well-run industry.

In the UK, if regulation is toughened it will make life harder for some. I have to believe that it will create an opportunity for us but my bottom line on it, it has to be properly enforced.

So, as a business we're moving fast and I want people around me who can keep up. I also want people who actually want to lead. I want team members around me who feel the same because next year we will all be facing really tough targets in certain areas and if we all want to pick up a bonus next year those targets will have to be hit.

The good thing is I have young men and women coming up who have shown me already they are ready to step into senior roles and some will sooner rather than later, or we will lose them.

So the motto at Hill's is, the mantra at Hill's is if you out perform here, you will get your chance and I think that is healthy and a lot healthier than we were three and a half years ago.

So to sum up, good first half figures, with good dividend growth. We're standing out from the crowd. I think some of the crowd would love to be where we are, with a really coherent multichannel business that maximizes the potential of this great brand of ours and is following up real opportunities, not mythical opportunities, internationally.

I'm not letting a good set of figures dazzle us. We're going to still concentrate and redouble our efforts on customer focus. We're still going to drive further innovation.

We're going to lead industry pricing when it matters and press home every competitive advantage we have carved out for ourselves, on the high street, online and on the phone and on the move.

I tell you what, we've only just begun. Thank you. Questions please. If you don't mind, I'll sit down for these questions so that I'm not looking down on my colleague here.

## QUESTION AND ANSWER

**Roohi Siddiqui**

Good morning, Roohi Siddiqui from Merrill Lynch. I have a few questions, if I may? Firstly, just a question on Spain and Greece. How can you advertise today in Spain and Greece and have you given any thought to what the tax impact will be on your business in the second half, from these two countries?

**Ralph Topping - *William Hill - CEO***

Just on that, everybody's advertising in Spain and Greece so we've been advertising basically for quite a period of time we've built up a nice little business there. We've - I'd never advertised in Spain but when you look at who's advertising what they're doing, we decided we'd follow suit so we're pretty happy with what we're doing there.

**Roohi Siddiqui**

And the tax?

**Neil Cooper - *William Hill - Finance Director***

Given the fact that the Spanish legislation hasn't been passed yet, we are providing for Spanish tax and are indeed paying the Spanish government tax at the moment.

**Roohi Siddiqui**

Is that within the - (inaudible) result for the full year?

**Neil Cooper - *William Hill - Finance Director***

I mean look, it's not a - yes, simplistically. It's not a material number in isolation.

**Roohi Siddiqui**

Okay.

**Neil Cooper - *William Hill - Finance Director***

The Spanish have taken the view that whilst there regulation isn't in place, if you anticipate getting a license you better start paying tax now. Which we are doing and I'm sure other people are doing as well. You'd have to ask them that, to be far but --

**Ralph Topping - *William Hill - CEO***

What was the second part of your question?

**Roohi Siddiqui**

Well, it's just to see is there going to be a step up in marketing in these two markets as well, as you're seeing in Italy?

**Neil Cooper - *William Hill - Finance Director***

I think the logical assumption is there will be when we enter into that market, once it's regulated and we want to push with a lot of money. I mean, you've got to distinguish between the sort of absolute quantum of spending in Italy to support the regulated market entry and what we may be doing elsewhere.

I think when we go into a regulated market we're going to do it properly or not at all and you saw our response with France, which economically we took the view that there was no point in going in. You can see what we're doing in Italy we think it's worth doing and we're going to do it properly.

So we're guiding to the impact on Italy because it's a big market, a big regulated entry. I think you've got to distinguish between that and what we may be doing in other markets on a very different scale.

**Ralph Topping - *William Hill - CEO***

Everything's about choice and you can't do everything. You have to place your bets. So it's mostly in the UK, the big market for us. We see Italy as a good opportunity for us and I think one or two countries around Europe and I think if you enter those markets in a proper way, then you have to spend a fair few bucks marketing to establish your presence.

I don't think you can go in on the cheap, as you could do under the dot com model. So the games changing but you can't be everywhere doing everything, is the bottom line. Even if you are I think you're going to waste a lot of money by doing that.

**Roohi Siddiqui**

Secondly, is there a structural shift downwards on online gross end margins from --

**Neil Cooper - *William Hill - Finance Director***

Well, I mean I've guided, to be fair today, to a shift down in the blended online margin as a result in the increase in in-play. I mean if in-play is somewhere between 4 to 5% on a normalized basis, you know pre-match is somewhere between eight to nine. Pre-match is growing at 30%, in-play's doubling.

So there will clearly be a blended impact and I've commented on that in my presentation and I think you can, from a previous normalized range of 7 to 8%, we're now looking at something around 7% as a result. I mean, obviously we could not grow our pre-match business so quickly and then our margins will be higher.

**Ralph Topping - *William Hill - CEO***

So in answer to your question, the answer's no. There's no structural decline. It's 4 to 5% and we only said we'd get 4. With in-play we're at 4.2%. It's one half of the season, one quarter. If you look at football season then for four months of football season, football season racking up and then you've got the finals of the football season.

In normal results you should see the number trickle off but if you take big bets on the one you reach the numbers and they drop down but the range should always be about 4 to 5% and as that becomes a bigger proportion of your business you can re-strength the overall margin and perhaps use the 7 to 8% to trickle down as well.

But look at the gross wins. That's the - you can't bank margin; you can bank gross wins.

**Neil Cooper - *William Hill - Finance Director***

To be fair, we're not changing our view on individual components of pre-match and in-play. It's just as the relative ratio of those two changes, the blended number's going to move. Which is what we've said will happen today.

**Roohi Siddiqui**

Then sorry, I just have a couple more questions. Firstly on mobile. Could you give us a split of the amount of business you're doing on gaming, on mobiles versus Sportsbook, they're predominately Sportsbook right now and is there a differential in the margin between online and mobile?

**Ralph Topping -** ***William Hill - CEO***

Certainly we're seeing on the online Sportsbook a bigger margin than we're getting on - we've certainly seen through the Racing Post app itself, we've seen a big - on horseracing we've seen a terrific margin on that. But I think that's because people using that are either horse betting players won't go anywhere else so you're getting all their business. So either you use, it's instinctive the way use it, it's intuitive rather.

So we're seeing a bigger margin there. I'm not going to tell you what it is because there'll be a few people in different offices all around London fainting when I tell them the figure.

I know on the gaming side of things, it's fair to say that gaming products fairly new on mobile and we'll give you a follow up where we going with the turnover there, but it's not as - the contribution from that is not as much at the moment as Sportsbook but it's growing faster in their respects than Sportsbook.

So we'll give you a bigger update on that in time, at the end of the year.

**Roohi Siddiqui**

And sorry, just the final question which is on Joe Asher. I'm just [want to gain] the insight [of your defence] and he's trying to hinder things. What's your view; what's happening there?

**Ralph Topping -** ***William Hill - CEO***

Well they tell me that you're never defined as being successful in America unless you've got six lawsuits against you and Joe's only got one so maybe he's another five to go. At the moment he's sanguine about it, we're sanguine about it. The ones who appear to be a little bit less than sanguine are Cantor, with maybe good reason.

**Roohi Siddiqui**

Thank you.

**Ralph Topping -** ***William Hill - CEO***

Thank you.

**Vaughan Lewis -** ***Morgan Stanley - Analyst***

Hi, Vaughan Lewis from Morgan Stanley. The dividend increase looks to be a bit stingy in the context of 30% plus GPS growth, is the medium term dividend cover target of two times, is that still valid? Should we expect a greater increase at the final?

**Neil Cooper -** ***William Hill - Finance Director***

Yeah, no happy to take that. Look, I think the first thing to say, is we have a number of things in mind when we look at an interim dividend. We have a public pledge that we will look to move to two and a half to two. We're actually, looking at 2010, we were above two and a half, and we were at 2.6.

So that is on our mind and I'm not standing up here to tell you that we're changing our pledge. Equally, when you're looking at the interim dividend, one of the things that is driving the interim EPS has been the tax charge.

Which will shift in the second half, because of the way the tax charge moved in 2010. So you need to just bear that in mind when you're forming a judgment as to where we've been generous or stingy, to use your words.

I'd be delighted if I got 16% return on my personal investments, so there we go.

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**Vaughan Lewis** - ***Morgan Stanley - Analyst***

Second one on central costs. Is that a sort of one off jumper to reflect --

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**Neil Cooper** - ***William Hill - Finance Director***

Now, there's a couple of things in central costs. One is they are broadly, 50 50 is the impact of the growth. One is an increased bonus provision. The second one is a change in the recharge mechanics. You will see from our slides that we recharge portions of our costs out of central into the individual operating regions. That movement has reduced, creating an apparent rise in central costs.

So it's about equidistant in terms of the impact. Equidistant, about 50 50, in terms of the impact.

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**Vaughan Lewis** - ***Morgan Stanley - Analyst***

And a final one, if I can, on the SSBTs. Is that basically the same product, offer, as online now in the shops and is it the same sort of better odds and best odds guaranteed and that sort of thing?

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**Ralph Topping** - ***William Hill - CEO***

No, it's not the same offer. It's the same kind of market, some of the markets that we have online. I think we have hit the crossroads on [whether it's] expanding the offering in shops because we've been delighted with the reception that those machines have been gathering and the offers that we've giving at the moment. So best odds guarantees this year's seven plus at the moment on online and telephone only.

We don't want to disrupt the market in offering market (inaudible) best odds guarantee.

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**Matthew Gerard** - ***Credit Suisse - Analyst***

Morning, Matthew Gerard, Credit Suisse. Three please. Firstly on machines, we had one of your competitors recently calling for an increase in the number of machines. I suppose no surprises there but without further regulation on machines, or regulatory catalysts, are there any signs that utilization is starting to become an issue, curtailing growth on machines?

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**Ralph Topping** - ***William Hill - CEO***

[Not detecting it and fight]. I said when I stood up there I'd rather we get away from talking about machines and over the counter. I just think, given that we're seeing more and more people playing both over the counter and machines, it's kind of fatuous to try and differentiate between them now.

So there's no real fall off on machines. There's - when we look at the history of machines, every year we've had the same kind of questions. I mean, where are the machines going? You must be peaking out on them or whatever. I think we're through the cycle of Storm and now we're looking at new machines and a step-up in cabinets and we'll begin to show you some of that when get up to Leeds, if you're not on holiday at that time. It's worth coming up to have a look and see what the next, I think, kicker for our machines business is going to be.

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**Matthew Gerard** - ***Credit Suisse - Analyst***

And following on from that, I take your point on resilience and you put the chart up about shops growth with this cycle. I suppose first half stakes were up 2%, machines were up 10% yet profits are flat in retail year over year. I mean, without further regulatory catalysts in retail, what's your view on driving long term or medium term profit growth in that business? Do you still think mid-single digits is achievable, mid to 5%, something like that?

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**Ralph Topping** - ***William Hill - CEO***

I think a recovery in the economy would be a big driver for it. That'd be the first thing and some, I think some regulatory breaks would be a help as well. I can see that coming, I think it will follow in the next couple of years, that we'll get a regulatory break and I'm not sure about the machines, about upping the number six, seven, eight.

I'd like to move to a regime which has a look at square footage and also moving away for this maximum of four in any unit. I mean, we've got some betting shops which are no bigger than telephone boxes and they've got four machines in them. I'd like to see us having the opportunity to increase the number of the machines.

I'm not entirely convinced that it'll lead to, even if you put six machines in every shop, you'd see a fantastic uplift in the machines business. I think your calculation is if you had between another 1000 to 1500 machines, that would benefit that business, across an estate, to 2.3 to 3300 bucks.

From a lot of machines, we'd have an instant fight on this. We'd obviously never get an uplift on the business.

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**Matthew Gerard** - ***Credit Suisse - Analyst***

So I think when we had the investor day back in 2009, the utilization or the incremental profitability on the fourth machine was around 10%, was it something like that? So you're assumption on a fifth or a sixth machine on a shop basis is -

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**Neil Cooper** - ***William Hill - Finance Director***

Well, it's the law of diminishing returns, isn't it? If the drive from an incremental machine is because of capacity, every extra one you put in is going to yield less. I mean that's common sense.

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**Ralph Topping** - ***William Hill - CEO***

10% was the average. What I'm saying is there are shops where you get a higher return on year because of demand at lunch time, demand in the evenings, you could have the extra machines there and you would get a greater than average return from that. But you're talking, in all, about 1500 machines across our estate for that to happen. In my view, Matt.

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**Matthew Gerard** - ***Credit Suisse - Analyst***

Final question, on the SSV2s. How many have you got on trial at the moment and what's the kind of timetable for analysing those results and deciding on a further roll out?

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**Ralph Topping** - ***William Hill - CEO***

It's less than 300 on trial. How are you going to decide on it? The operations director, James Henderson, at his one to one yesterday and it got put down in front of him and said there's the number I want, I won't tell you what the number is, and he gave his projections. That's got to run though his enthusiasm filtering process, known as LFD, and there will be - we'll reach a conclusion in about the next six to eight weeks.

But I see us moving in, what I would call seeing a significant uplift in the number of machines we've got out there. I mean, I started off being a sceptic on it - which goes with my cheerful nature - and I didn't think it would take off. Betting and running I didn't think would take off.

What you are getting with the machines, interestingly, is the same kind of thing you get when you use a hand-held device, ladies and gentlemen. I'm sure when you order stuff from Amazon that you just don't stop at one item. You love that wee plus button. It's the same with the selections on football on a machine. The number of accumulators we get of eight, nine and 10 fold is - we've seen a real uplift in those and a big interest at the weekends in European matches and some of those 500-and-odd leagues that we have been talking about earlier. So I'm quite enthusiastic about them. We do things as we always have done in a very careful way but we'll have an uplift.

**Matthew Gerard** - ***Credit Suisse - Analyst***

How much does it cost you to put one of these machines in, CapEx-wise?

**Neil Cooper** - ***William Hill - Finance Director***

The current machines are being leased from the providers of the machines - the trial machines. That's not to say that any further development will be on that model. We haven't made our mind up yet.

**Ralph Topping** - ***William Hill - CEO***

One of the things we would like to do is get our hands on the middle there because that's where the real value is. Not the cabinet itself.

**Neil Cooper** - ***William Hill - Finance Director***

I don't know -- you can see how we've done FOBTs. I don't -- whilst we haven't worked with the details, sitting here today I don't envisage that we would want to structure it in any different way to be honest.

**Ralph Topping** - ***William Hill - CEO***

That's the filtration unit speaking there, chaps.

**Neil Cooper** - ***William Hill - Finance Director***

A wise old FD said to me once, your job, son, is not to add value; it's to stop other people destroying it. Clearly I've taken it to heart.

**Ralph Topping** - ***William Hill - CEO***

Everybody's a son when you get to this age, aren't they? Same with daughters. I've got three daughters. If you're watching, girls, you're still daughters.

**Matthew Gerard** - ***Credit Suisse - Analyst***

Okay thank you.

**Ralph Topping** - ***William Hill - CEO***

Next question.

**James Hollins** - ***Evolution Securities - Analyst***

It's James Hollins from Evolution. Three from me. First on Italy; can you just give a bit more on early signs of trading and maybe just customer reaction to your brand down in Italy? Second, are you seeing the demographic in your retail, is it becoming younger? Third, perhaps using your candidness you're famous for Ralph, perhaps a bit more detail on your mobile product. As far as I can see, a serious sports' better has a choice, probably, between Paddy's, Betfair and yourself. Do you think you're as strong as those two; better; and is the competition in mobile a bit tougher than I'm thinking?

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**Ralph Topping** - ***William Hill - CEO***

On the last one I think credit where credit is due. I mean, Paddy Power have been really strong in the marketplace from the off. So I would never sit here and pretend that we're first, second or third in that marketplace. I would rather we thought we have got a long way to -- a bit of a distance to travel there, which we have. But I didn't expect us to be at the number we're at the moment. I'm delighted with that number.

I mean there's a bit of -- mileage to go for us and -- actually we've liked being the underdogs in some areas. You get fed up being top-dog all the time - said he in a hind-dog expression. So we've a bit to catch up and fair-play to the Irish guys, really fair-play to them on that. They've done a tremendous job. Having praised them I hope they now switch off.

Betfair are -- I think it would be between Paddy and us actually. 'Cause I think the mobile offering is made for a bookmaker rather than for an exchange.

On the demographic, we had a presentation the last time we were here that said, yes, the demographic is changing in our betting shop. It's strengthening. The average age of your bet shop customer, I think, is 42. Of course, several of them have had their birthday today. It will have, depending when the birthday is that number will have moved fractionally.

Italy, it's far too early to say. But we've got a good marketing company in there. I think if you're looking at Italy you've got to look at brands like SNAI and Sisal. I can't stand here and say, look you're better being multi-channel inner territory. The big advantage to being a Sisal or a SNAI in Italy and offering the products there that we've landed well, I think. We have got some, not too overly ambitious numbers in the first year and I think we will hit those numbers without much difficulty. But we've landed well, spending a few quid though.

The gentleman over here? I'm going to make you last today, Ivor.

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**Simon Whittington** - ***UBS - Analyst***

It's Simon Whittington at UBS. Two questions just on online please. Firstly, you drive 10% of your online revenue from unfavourably regulating markets. I'm assuming Germany is within that, but what else is in there or do you get 10% of your revenues from Germany? What have you seen -- or what have you done in terms of marketing - have you changed marketing spend there, obviously given the current regularity uncertainty? Then the second question --

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**Ralph Topping** - ***William Hill - CEO***

Just to put you at ease, there's no territory which equates to 5% or more in those numbers. So Germany is not at 10%. There is no territory greater than 5%. All right?

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**Neil Cooper** - ***William Hill - Finance Director***

Look, to be fair we don't comment on the other than the UK numbers, for obvious reasons. We don't comment on the geographic breakdown and if I start filling in the blanks, you can work out the rest. So we're not going to comment on that question. I mean subjectively, is German regulation favourable at the moment? Well the EU doesn't think so.

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**Simon Whittington** - ***UBS - Analyst***

Any sort of comment on the change in marketing spend there at all?

**Neil Cooper** - ***William Hill - Finance Director***

Well, listen I mean to the extent that we're guided to what's going on, on the marketing to net revenue member for Italy because it's a regulatory market and therefore it's worth spending a lot of money on. Equally, that conclusion cuts both ways doesn't it?

**Ralph Topping** - ***William Hill - CEO***

It would be fairer to say, where are you putting your marketing money -- most of your marketing money would be into the UK and into places like Italy. That's where the bulk of it's going.

**Neil Cooper** - ***William Hill - Finance Director***

Yeah.

**Simon Whittington** - ***UBS - Analyst***

Then just a second question on poker; obviously, pretty strong there, 11% growth. Why is that so strong? It doesn't really seem to be consistent with what some of your peers are seeing and I guess it's [becoming true] given the change in --?

**Neil Cooper** - ***William Hill - Finance Director***

Look, I think our business is -- our poker business demonstrates the success of a gaming and betting online offer, because what we're seeing I think is cross-sell from sports' betting customers, which is why our poker business is growing so well.

Now to be fair, quarter over quarter it hasn't hugely shifted, following the impact in the States from what's gone on over there. It is cross-sell from - in my personal view, it's cross-sell with sports' betting customers and it demonstrates exactly why driving your online business with sports betting at the spearhead brings in people who you can then cross-sell gaming into. It's much more difficult to get somebody who's there to play roulette to go into the sport's book and have a cross-sell. It works much better the other way.

I think if I'm honest I think poker demonstrates that well. It is a skilled game in punters' minds and therefore it is allied more closely, in some ways, with sports betting than it is with the more typical gaming.

[Over speaking]

**Ralph Topping** - ***William Hill - CEO***

-- the work as well, which is a help. But we'll never let a product die and we've upped the resource in poker. Changed a few people out of there and put some new guys in. So there is a constant focus on developing the business. It's not a case of, well, everybody else is having a negative, guys, why aren't we? We haven't taken that approach. We're very keen on seeing positive numbers.

Neil's explanation is -- I would subscribe to it.

Ivor, are you wanting to come in? It's not a sign that you're going to be last; it's just that you've been persistent. How you doing?

**Ivor Jones** - ***Numis Securities - Analyst***

Thank you. Ivor Jones from Numis. You must be pleased that in a few short months your inability to manage the online business has gone from your principal business risks dropping off the list --

**Ralph Topping** - ***William Hill - CEO***

It still dropped off.

**Ivor Jones** - ***Numis Securities - Analyst***

I don't think it features on the list at all?

**Ralph Topping** - ***William Hill - CEO***

Well come on and answer that question Ivor, thank you very much.

**Ivor Jones** - ***Numis Securities - Analyst***

But the question was, what can you now do effectively to manage that business that you couldn't do just a couple of months ago?

**Ralph Topping** - ***William Hill - CEO***

I think the question is rather impish, as usual. The risk was improperly expressed the last time, or not as comprehensively expressed as we would have liked - and comprehensive in the sense that we face risks and not managing large suppliers or large partners all over the piece. I mean, we have got about 10 or 11 large partners and if we don't put the effort into managing them or they don't put the effort in with us or we don't meet and discuss and (inaudible) the contracts, develop contracts, then we face a risk as a business.

We expressed it poorly the last time and I think we've expressed it rather better this time. So the risk in there, specific to Playtech, is the same as the risk in the context of a sport's betting partner or an organization like SIS or an organization like [TorTV].

**Neil Cooper** - ***William Hill - Finance Director***

I think, to be fair, the presence or absence of legal action does tune or detune the level of risk that you see and face as well. If the risk monitor that we manage as a business isn't dynamic, reflecting events then actually it's not doing its job. So don't be surprised to see changes in that as you will see changes in other things as the risk profiles that faces the business alter.

**Ralph Topping** - ***William Hill - CEO***

Any third party in a relationship carries risk if it's not properly managed. So when I responded the last time to you, I did amplify it in the response. You're seeing, in today's document, that amplification put into words.

**Ivor Jones** - ***Numis Securities - Analyst***

It's moved down to --

[Over speaking]

**Ralph Topping** - ***William Hill - CEO***

Yeah, it's --

[Over speaking]

**Ivor Jones** - ***Numis Securities - Analyst***

-- been made generic because there's no litigation.

**Neil Cooper** - ***William Hill - Finance Director***

Well we've settled amicably so the litigation has gone and therefore it's a lower risk.

**Ralph Topping** - ***William Hill - CEO***

I don't think they're in order actually. I think there is a risk.

**Neil Cooper** - ***William Hill - Finance Director***

Yeah and actually, to be fair, you're absolutely right.

**Ivor Jones** - ***Numis Securities - Analyst***

Sorry, but last time you did say it was the principal risk because it was at the top of the list. So I'm only following your comments.

**Ralph Topping** - ***William Hill - CEO***

Going to court always makes you focused, Ivor, I'm sure you'll find that out when you're going to face your traffic offences.

**Ivor Jones** - ***Numis Securities - Analyst***

But following on with that theme, now that Playtech have diversified their customer base by say, Gala Coral did that change your attitude to diversifying your supplier base? Do you need more unique products? How will you feel about Playtech supplying Gala Coral with marketing services in due course?

**Ralph Topping** - ***William Hill - CEO***

We're okay with that actually. Where Gala Coral are at the moment, we're okay with that. There was always going to be the case that they could do that at a point in time. We're comfortable with the timing of that. Gala Coral is quite an interesting organization at the minute.

**Ivor Jones** - ***Numis Securities - Analyst***

But do you need to look at - to those final supply bases to get more exclusive --?

**Ralph Topping** - ***William Hill - CEO***

We have been doing. We have been doing. If you're saying specifically are we going to -- if that's a Playtech question. Playtech are both a supplier and partner to us. I think, in terms of being a supplier to us they've been -- their product's excellent and in terms of being a partner to us we've benefited - both of us have benefited from the partnership.

Any decisions that we make about the partnership don't need to be made until next year. We've got a couple of strategic days as a board before then. The subject will be very carefully looked at in the wider context of what's happening -- where the business is going; what may happen to the business going forward in terms of that very angle that you're coming at as well. So there's no decision at the minute. No early thoughts. We'll take feedback from shareholders; we'll take feedback from analysts and others. But ultimately it will be down to the Board to decide what we want to do and there will be a recommendation from myself and Neil on that.

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**Ivor Jones** - ***Numis Securities - Analyst***

Just finally, a detailed point, but perhaps I should know this -- I can't remember how you would account for free bets on machines. When you quote the gross win number, would that be after?

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**Neil Cooper** - ***William Hill - Finance Director***

That's in free bets, yes.

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**Ralph Topping** - ***William Hill - CEO***

So it's not in there as -- do others do it differently?

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**Ivor Jones** - ***Numis Securities - Analyst***

I believe so.

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**Ralph Topping** - ***William Hill - CEO***

You learn every day, Ivor, thank you very much.

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**Ivor Jones** - ***Numis Securities - Analyst***

It's never difficult to tell the difference between a ray of sunshine and a Scotsman with a grievance.

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**Ralph Topping** - ***William Hill - CEO***

I'm one of the happier breeds as well. I'm a lowland Scot.

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**Nigel Hicks** - ***Liberum Capital - Analyst***

Nigel Hicks from Liberum Capital. Two questions. First one; going for the headline grabbing prices, does that change the likelihood of [amount state] been either volatile or rising faster than normal and also, an impact on margins?

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**Ralph Topping** - ***William Hill - CEO***

Actually over the piece it's been -- you have to have a pricing policy. You have to be competitive. The best pricing policies are the policy - that famous old bookmaker called John Banks gave to me when I was -- when the company I worked for at that time took over the (inaudible) shops. He says, there's two rules in life Ralph, he said pick the right women to marry - and I was married at that time so I had to go away and think about that one. I ticked the box on that one.

He said, always lay the favourite whatever. Lay the favourite. The third rule, I think, was lay the punter as well. So you always look to who the punter is and lay them. So taking a big bet from somebody who's good to you, as a bookmaker, is not a problem. We will always manage clients. What I said, though, we're a mass market bookmaker and this is working for us. We see it in big events - that's when most people are about. If I told you at Ascot our slips were up 20% year on year. I think that's quite a growth and an indicator of the popularity of it. It's not one or two punters coming in. It's a mass of men.

Now the issue, for me, is back to racing. That's a -- I think the festivals are great. How they're spread out over the week. I think the over-concentration of racing on a Saturday actually works against racing. It helps if you want to go along and watch Status Quo defying gravity and old age and probably death, doing a concert at Sandringham or wherever.

You want to get a few bevies and not worry about betting. It doesn't help the levy, that kind of approach. I think the more balanced approach is to have more quality racing mid-week and you will see an upturn in slippage, you'll see an upturn in turnover. Given fair crack with the results, you'll see an upturn in gross wins and therefore an upturn in levy.

So the pricing has certainly helped us. I think having a new Trading Director has helped us. He's pragmatically aggressive. He's not stupid. On the -- we just had an example - I don't want to bore you to death - but on the Open Golf we had (inaudible) an eighth -- eight places on the Open Golf. Their odds were skinny. We went big prices on the Open Golf, stuck to the first four in the betting. Was it the first four or first five in the betting? The volume in business we took on the Open was phenomenal.

That was with an offer in there of return in cash if Westwood didn't qualify for the -- if he missed the cup. We won much, much more money on it than we did last year. So I'm happy with the policy and I think it paid dividends on football last season. It's terrific for us.

It was great during the World Cup last year when we kicked off and over the piece it's been good for us and I think it's driven traffic to William Hill. William Hill would have been, I think it was about, if he'd lived he'd be 112 last week, which would have been some party, I can tell you, if he'd been there. But he stood for laying big bets then, big laying punters and that's what our reputation was built on. Again, I think we have no need to go and reinvent the wheel. That's what we are about as a business.

We are the bookmaker in UK betting. I think we lost our way for a while but not in the last three-and-a-half years, mind you.

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**Nigel Hicks** *- Liberum Capital - Analyst*

Is that a sign of the confidence of the Group relative to the competition as well?

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**Ralph Topping** *- William Hill - CEO*

It's the same in the clarity in the business. There's not the confusion that there was, I think, maybe three or four years ago. We stand for certain things and people understand what we're trying to do. We're try and keep things extremely simple. You know, we stick to certain principles that we think we're good at. I think we've always been terrific operators. I think we've been good bookmakers and we're rearing talent now. Importantly, we're the only organization that's rearing talent in its trading function and in its operational division.

When we talk, as I'm sure we will do over the next couple of years about bench strength at William Hill, a lot of that has been down to what we've done in the last three or four years. I'm not claiming great credit for it. I said I wanted brains in the organization and I had a couple of people who went out and helped me find brains in the HR Department and elsewhere. But we wanted to up the talent level in this organization and grow our own talent. I think we've done that - a guy like Jamie Hart's testament to that.

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**Nigel Hicks** *- Liberum Capital - Analyst*

Can I just ask about the consumer, if you're seeing anything different at all in the last, say, five weeks since the end of the half and --?

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**Ralph Topping** *- William Hill - CEO*

No. No.

**Nigel Hicks** - ***Liberum Capital - Analyst***

You did mention --

**Ralph Topping** - ***William Hill - CEO***

Well you've got to bear in mind that it's a strange time of the year, you know it's a -- it used to be the flat racing season was the busiest time of the year for bookmakers. You know, that was the peak, because you had, at that time, defined holidays they called trade holidays; so the Glasgow fortnight, the Glasgow Fair fortnight, when 300,000 people descended on Blackpool. Those days are gone now. So you get a kind of flattish profile on the flat over the summer holiday period. So it's very difficult to reach any conclusions around consumer behaviour.

When the football picks up I expect to see football do well again this season, grow well again this season, because the focus on the Premier League is phenomenal and that is better than waiting to see how we go over the first eight weeks of the year, the football season, to see if there's any changes in consumer behaviour.

But I think we've reached a stage now where the guy who -- what I call the working man, who is putting off buying the fridge, he's putting off buying the new car, he isn't going to put off having a bevvy and he isn't going to put off having a bet. He's not going to wear a hair shirt, but he's going to wear his old shirt. I think it's that - I think we're seeing some of the benefit of, stuff it, I'm going to enjoy myself. I'm not going to do away -- be without some of the smaller pleasures.

(Inaudible) slips held up this year as well, which is good I think. That's a good sign.

**Nigel Hicks** - ***Liberum Capital - Analyst***

Finally, just on machines in July, Neil. Is there - I know there was a mention that it was still --?

**Neil Cooper** - ***William Hill - Finance Director***

Yeah, I mean, all we've all we said and all we're going to say is that performance is good. But look, five weeks it's not -- it's a bit early to be calling that a trend, to be fair.

**Jeffrey Harwood** - ***Oriel Securities - Analyst***

Jeffrey Harwood from Oriel. If your UK, online business suffered a significant tax hit which could happen, what steps could you take to mitigate such an event?

**Ralph Topping** - ***William Hill - CEO***

I think it would be beneficial for us because I think it would make the marketplace difficult for some other significant players of the middle - what I would call middle players in the market. What would we do? If your question is really about, would we change our odds and would we get margin back that way, well, you're still going to have a World Wide Web; you're still going to have to be competitive; and people are still going to have the opportunity to bet where there are other bookmakers overseas. I think you would be a fool if you didn't compete with them as well. So I don't see us changing our margins, necessarily.

**Jeffrey Harwood** - ***Oriel Securities - Analyst***

I was just going to say, you can see from what's gone on in France that trying to trade with structurally higher margins than everybody else in the world is a waste of time, or at least it appears so in terms of legalized French sports' betting revenue. It's going down like something that's going down very quickly. I thought better of what I was going to say [laughs].

**Ralph Topping** - ***William Hill - CEO***

I think you were looking for the word Lusitanian.

**Jeffrey Harwood** *- Oriel Securities - Analyst*

Yes, right, that'll do.

**Ralph Topping** *- William Hill - CEO*

All right. Yeah, so we're not going to do anything like that. I wouldn't put it -- I think some people might look to charge for certain products. I'm not saying we would, by the way. I think some people might be looking at a products like racing and say, well, should we levy the racing punter if he wants a bet on a racing, because it is an expensive product. But we've not got 'round to thinking about that yet.

**John Beaumont** *- Matrix - Analyst*

Morning, than you. John Beaumont, Matrix. I just wondered if you could update us what proportion horse racing amounts wagered is both on [OTC] and online now. I assume, obviously, it's big in both areas still.

**Ralph Topping** *- William Hill - CEO*

It's 50% of over the counter and it's about a high 30 -- it's mid-30 number online and reducing. Well no, it's not -- well, it's as other -- as in-play increases because you can't offer the in-play product on horse racing, it is reducing. But year on year it's growing online. We're relatively pleased with the performance of it. Gaming in our betting shops is now -- 48% of all our business is gaming. So horse racing is a portion of all that, but it's always going to be changing. So it's 26% of all activity in a betting shop is horse racing and 50% of all over the counter business. So that's changed dramatically over the years.

It doesn't mean to say -- it doesn't make it a bad product. I mean, if you invite two people to dinner then they're getting 50% of the food available. If you get six people coming to dinner then they're getting 16% of the food available and if they want more food they're going to have to bring a bigger fork and knife. That's what racing is going to have to do. I'm getting better analogies that you today.

**John Beaumont** *- Matrix - Analyst*

I'll go to someone else's house.

**Ralph Topping** *- William Hill - CEO*

I'll get to the fridge quicker. We just solved racing's problems. Get to the fridge quicker and bring a bigger fork and knife.

**John Beaumont** *- Matrix - Analyst*

I was going to ask you if you elucidate a bit more --

**Ralph Topping** *- William Hill - CEO*

They'll be writing that down, bring a bigger fork and knife.

**John Beaumont** *- Matrix - Analyst*

I think I'll leave that bit out.

**Ralph Topping** - ***William Hill - CEO***

It's always the third son in the family that goes into racing. (Inaudible) researched.

**John Beaumont** - ***Matrix - Analyst***

You've mentioned, I think, in your presentation that you thought that the horse racing product had actually started to get a little better. I just wondered if you could describe where you are seeing some of these positive changes.

**Ralph Topping** - ***William Hill - CEO***

In bets coming over the counter. I'm trying to be -- I think we've had a great flat season. I think we've had some terrific horses out there. The quality of racing that -- I mean, I'm actually a racing fan. So I do like horse racing and horse racing has been bad to me over the years. I've donated much more money than I care to think of on bad horses. But this year we've had some terrific -- as a spectator, it's been fabulous. It's been great.

There's been some terrific horses; terrific race meetings. I think horses have hyped-up racing this year and captured some of the attention. That's reflected in the festival betting activity. I mean Cheltenham is terrific for bets and so is Ascot. The audience is there if you put the right product out at the right time and that's the conundrum racing faces.

I think we've got some -- make this the last question of the day. Breaking a long tradition, Ivor usually gets the last question. Somebody has just passed him a Kleenex. Ivor, pull yourself together, the last question of the day. No. No questions. Thank you very much. Good seeing you.