

INTERIM MANAGEMENT STATEMENT

William Hill PLC announces the following unaudited Interim Management Statement covering the period from 2 July 2014 to 20 October 2014. Unless otherwise stated, figures in respect of trading relate to the 13 weeks (Q3) and the 39 weeks ended 30 September 2014.

21 October 2014

Q3 sees strong year-on-year margin swing driving outstanding profit growth

Key highlights of the quarter

- Group net revenue¹ up 23% and operating profit² up 89%
- Online operating profit² up 126%, with wagering up 18% and mobile wagering up 38%
- Online Gaming net revenue up 23%, with 116% growth in mobile gaming
- Retail operating profit² up 31%, driven by strong gross win margin and ongoing machine strength
- Eclipse gaming machine roll-out into second half of Retail estate now underway
- Continued improvement in Australia KPIs, with improved margin and operating efficiencies increasing operating profit² substantially
- Further good US wagering growth up 21%, with mobile growth up 88%
- Continued commitment to responsible gambling: William Hill Founder Member of The Senet Group

	Statutory percentage change ³							
	Q3				YTD			
	Retail	Online	Australia ⁴	Group	Retail	Online	Australia ⁴	Group
Sports betting amounts wagered	-1%	+18%	-3%		+1%	+33%	+38%	
Gross win margin	19.7%	9.4%	10.2%		18.5%	7.8%	9.1%	
Net revenue¹	+9%	+55%	+17%	+23%	+3%	+24%	+57%	+12%
- OTC / Sportsbook	+10%	+100%			-2%	+28%		
- Machines / Gaming	+8%	+23%			+7%	+20%		
Operating profit²	+31%	+126%	+384%	+89%	+3%	+31%	+227%	+19%

James Henderson, Chief Executive Officer of William Hill, commented:

“The Group performed strongly in Q3 driven by both favourable sporting results and the continued development of our UK and international businesses. The period saw good gaming growth in both major channels and sports net revenue growth significantly boosted by a favourable year-on-year swing in win margin. Positive sporting results in the quarter, including a strong end to the World Cup, have moved us close to or ahead of normalised gross win margins on a year-to-date basis.

“Looking beyond the effect of these sporting results, the underlying performance across the Group is good. Online gaming continues to benefit from our investment in mobile and Sportsbook turnover growth remains healthy, with in-play turnover growth a particular feature, up 35% in Q3. In Retail, net revenue growth of 9% reflects a favourable sports margin, the benefit of the World Cup and a strengthening of machine gross win growth rates, despite the impact of 82 shop closures during the quarter.

“Our international businesses are performing well. The progress made to date in William Hill Australia is delivering strong profit growth. Our work to optimise the customer base, following the onset of increased race field fees, has improved the gross win margin, with slightly reduced amounts wagered, as expected. More importantly, we are well positioned to compete during the busy Spring Carnival period. The management team look forward to presenting the business at our capital markets day in Sydney on 22 October.

“In Italy, we became number one in online sports betting in July with a 14% market share and in Spain we have further increased our online sports betting market share to 20%. William Hill US has continued to show growth in both wagering and profits. We continue to monitor closely potential developments in land-based sports betting in New Jersey.

“In partnership with some of our sector peers, we are pleased to be a Founder Member of a new independent body, the Senet Group, which will hold our industry to account as part of our ongoing focus on improving standards in the responsible gambling area. We have committed to additional voluntary advertising restrictions, notably on TV, building on the substantial progress we have already made in other areas, including the implementation of the Code for Responsible Gambling earlier this year. We hope that more of our industry peers will join the Senet Group and expect to see its remit and ambitions broadened over time.”

Group performance and outlook

Group net revenue¹ grew 23% in Q3 and 12% in the year-to-date (YTD). Operating profit² was up 89% in Q3 and is up 19% YTD, with good operating profit growth across all divisions in the quarter.

Following this strong results-driven quarterly performance, the Group now expects operating profit² for 2014 to be towards the top end of current consensus range assuming normalised results in the final quarter.

Online (33% of YTD Group revenue)

	Q3 % change	YTD % change
Sportsbook amounts wagered	+18%	+33%
Gross win margin movement	+3.1ppts	-0.3ppts
Online net revenue	+55%	+24%
- Sportsbook net revenue	+100%	+28%
- Gaming net revenue	+23%	+20%
Operating costs	+30%	+20%
Operating profit⁴	+126%	+31%

Sportsbook amounts wagered grew 18% in Q3, which included two weeks of World Cup betting. Mobile Sportsbook turnover grew 38% and accounted for 48% of the total Sportsbook turnover in the period. In-play and pre-match turnover grew at 35% and 6%, respectively. The Sportsbook gross win margin in Q3 of 9.4% was ahead of our long-term expectation. On a year-to-date basis, it has improved to 7.8%. In-play gross win margin for the quarter was slightly ahead at 5.8% (Q3 2013: 5.1%) but pre-match gross win margin was 5.4 percentage points higher at 12.6% (Q3 2013: 7.2%). Free bets and other fair value promotions accounted for 0.7% of amounts wagered.

Gaming net revenue (comprising 87% Casino, 8% Bingo, 5% Poker) continued to grow strongly, benefiting from our investment in mobile gaming together with a wider differentiated product range. The quarter also saw some increased gaming traffic during the World Cup period as well as a soft comparative in the prior August. Total gaming net revenue was up 23%. Within this, Casino net revenue grew 29%, with our Vegas category accounting for 60% of Casino net revenue (Q3 2013: 43%). Bingo net revenue was 4% higher and Poker was down 20%. Mobile gaming net revenue grew 116% and increased to 31% of Online gaming net revenue (Q3 2013: 18%).

We have made further market share gains in Italy and Spain, taking the leading position in sports in Italy in July with 14% market share and with our share of sports increasing to 20% in Spain.

Retail (57% of YTD Group revenue)

	Q3 % change	YTD % change
Over-the-counter (OTC) amounts wagered	-1%	+1%
Gross win margin movement	+2.0ppts	-0.6ppts
Underlying Retail net revenue¹	+9%	+2%
- OTC net revenue	+10%	-2%
- Underlying gaming machine net revenue	+8%	+6%
Operating costs	+4%	+2%

Operating profit²**+31%****+3%**

Net revenue grew strongly in the period, with growth in both OTC and in gaming machine net revenue. Although OTC staking was slightly down in the quarter, this was more than offset in revenue terms by the benefit of positive football results.

Having seen good growth from the new Eclipse gaming machine, we have decided to roll it out to the second half of the estate from October 2014. Gross win per machine per week was 8% higher at £921 (Q3 2013: £850). Following discussions with the Department of Culture, Media and Sport, and in anticipation of legislation being progressed this autumn, we are preparing for the introduction of the '£50 journey' in H1 2015 to promote account-based staking on gaming machines over £50 to help encourage responsible gambling.

Operating costs were in line with expectations. We opened 14 shops in the period and closed four in the normal course of business, plus an additional 82, giving an average of 2,392 shops and 2,371 at the period end. Having announced the expected closure of 109 shops following the upcoming increase in Machine Games Duty (MGD) announced in the Budget, 70 of these shops were closed at the end of July, 12 in August and we anticipate closing a further 27 shops by the end of the year, adding an additional net c£4m of exceptional costs to the £16.6m provision taken at the half year.

William Hill Australia (7% of YTD Group revenue)

	Q3 % change on a pro forma basis in local currency	YTD % change on a pro forma basis in local currency
Amounts wagered	-3%	+6%
Gross win margin movement	+1.6 ppts	+0.5 ppts
Net revenue	+14%	+10%
Operating costs	-12%	-10%
Operating profit²	N/A^(a)	+199%

(a) The operating profit comparison for Q3 is distorted by a swing from a modest loss in Q3 2013 to profit in Q3 2014.

William Hill Australia continues to show positive signs of improvement, benefiting from the changes we have made to enhance the user experience and increase the efficiency of the business, including its marketing investment. Unique actives have grown strongly, up 18% in Q3, driven by successful retention and reactivation programmes and with new accounts up 2%. Cost per acquisition was down 26% at A\$501. The gross win margin improved by 1.6 percentage points in the quarter, with more favourable racing and sports results and also benefiting from changes to client management. As expected, amounts wagered were 3% lower in Q3 despite a modest 1% increase in bets, as we exited now unprofitable clients following the onset of increased race field fees. We continue to review whether these changes will, over time, help to offset the race field fee increases.

Other channels (3% of YTD Group revenue)

William Hill US continues to perform strongly with amounts wagered up 21% in Q3 and 22% YTD. Gross win was 73% higher in Q3 and 40% YTD. The gross win margin was 7.6% in the quarter (Q3 2013: 5.4%). Operating costs were 21% higher in Q3 and 8% up YTD. The division recorded a small operating profit⁴ against a small loss in Q3 2013.

Telephone made a modest operating profit⁴ in the period against a £1.4m loss in Q3 2013 and is break-even YTD. Amounts wagered were down 21% in Q3, down 17% YTD. Gross win was up 8% in Q3 on a gross win margin swing of 1.8 percentage points to 7.0% (Q3 2013: 5.2%), but remains down 25% YTD. Operating costs were 35% lower in the quarter and are down 24% YTD.

Regulatory developments

In September, William Hill, Ladbrokes, GalaCoral and Paddy Power announced the creation of a new independent industry watchdog, the Senet Group, which will be headed by an independent Standards

Commissioner. At the same time, we announced additional voluntary measures aimed to support our commitment to responsible gambling. These include a voluntary ban on advertising sign-up offers on television before 9.00 pm, the funding of a major advertising campaign focusing on education and, in our Retail estate, a voluntary ban on all advertising of gaming machines in shop windows and a commitment that 20% of all shop window advertising will carry responsible gambling messages. These additional Retail measures came into force on 1 October 2014, with the balance to be effected by 1 January 2015.

On 25 September, the Gambling Commission announced implementation of the UK online licensing regime would be delayed by a month to 1 November 2014 pending a decision in the now unsuccessful judicial review request sought by the Gibraltar Betting and Gaming Association. Our preparations were completed as planned for the original deadline.

Material events, transactions and financial position

Movements in the financial position, including levels of borrowings, of the Group since the last balance sheet date of 1 July 2014 are reflective of the trading performance outlined above. Net debt for covenant purposes decreased to £619m at the period end (1 October 2013: £810m). Other than this, there have been no significant changes in the financial position of the Group.

Notes

- 1 Group and Retail net revenue percentage movements are flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Underlying growth rates are provided in the narrative where relevant.
- 2 Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.
- 3 Results are unaudited. All Q3 comparisons are with the 13-week period ended 1 October 2013 (Q3 2013) and year-to-date comparisons are with the 39-week period ended 1 October 2013 (YTD 2013).
- 4 William Hill Australia numbers are presented on page 1 on a statutory basis, with the YTD comparator period including Sportingbet results from 19 March 2013 and Q3 and YTD 2013 including tomwaterhouse.com from 12 August 2013. Pro forma comparisons in local currency are provided in the divisional review as if Sportingbet Australia and tomwaterhouse.com had been owned throughout 2013.

Enquiries

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Analyst conference call

James Henderson, Chief Executive Officer, and Neil Cooper, Group Finance Director, will be hosting a conference call for analysts at 8.45 a.m. BST / 6.45 pm Sydney time. Dial-in details for the call are:

Telephone: +44 (0) 20 3059 8125
Australia dial-in: 1 800 641 629
Password: William Hill

An archive of the call will be available after the call until 28 October 2014. Dial-in details for the archive call are:

Telephone: +44 (0) 121 260 4861
Passcode: 792 2003#

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

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 17,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 2,370 licensed betting offices that

provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group's Online business (www.williamhill.com) is one of world's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill Australia is one of the largest online betting businesses in Australia after the Group acquired the Sportingbet Australia business in March 2013 and tomwaterhouse.com in August 2013, two of the leading online corporate bookmakers in Australia, offering sports betting products online, by telephone and via mobile devices. William Hill PLC has been listed on the London Stock Exchange since 2002. The Group generates revenues of c£1.5bn a year.