



Preliminary results for the 52 weeks
ended 30 December 2008

27 February 2009

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Overview

- Robust 2008 performance, strong cash generation
 - Net revenue up 6% to £963.7m⁽¹⁾
 - Operating profit before exceptionals of £278.6m down 1%⁽¹⁾
 - Net debt reduced by £86.1m to £1,022.1m
- Resilience
- Debt refinancing agreement
- Proposed fully underwritten Rights Issue
- Dividend

(1) Comparisons are on a 52-week basis. 2007 was a 53-week period

Retail: maximising growth, managing costs

- OTC gross win +3%⁽¹⁾
 - 44 new licences, 57 extensions or re-sites
 - Average profitability per shop up 3% to £104,469
 - Plan for 2009: 45 new licences, 45 extensions or re-sites
- Strong gross win growth from machines +12%⁽¹⁾
 - Number of machines up 2% to 8,549
 - Net contribution per machine +14% to £529
- Underlying expenses +3%⁽¹⁾
 - Revised staffing model
 - Dual supply arrangement for machines
 - Extensive branch-by-branch cost review

(1) Comparisons are on a 52-week basis. 2007 was a 53-week period

Online: 2008 was a year of transition

- Positive growth in existing business
 - Sportsbook net revenue margin 7.1% (2007: 5.7%)
- 13% net revenue growth⁽¹⁾
 - Gaming +16%⁽¹⁾
 - Sportsbook +9%⁽¹⁾
- Operational highlights
 - New Sportsbook live on Orbis platform
 - Creation of William Hill Online with Playtech
 - Increased focus on betting and gaming
 - Customer base +18% to 510,000

(1) Comparison are on a 52-week basis. 2007 was a 53-week period

Online: 2008 was a year of transition

Structural review of products, technology, skills and pricing, creating one of the leading European online betting and gaming businesses

Actions for organic growth

- 60 new games launched
- Increased cross-selling of products
- Improved website content
- Investment in advertising, marketing
- Sportsbook launched

Creation of William Hill Online

- Complementary Playtech assets
- Customer relationship, marketing
- 70,000 strong affiliate network
- New poker, casino sites
- Integration on schedule

New Sportsbook launched December 2008

Premier League football odds, Cheltenham Festival horse racing betting and Welsh Open Snooker

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William HILL


Sports	Casino	Poker	Games	Vegas	Skill	Bingo	Lotteries
In-Play Now	American Football	Cycling	Golf	Hurling	Rugby League	Tennis	
Live Streaming	Basketball	Darts	Greyhounds	Ice Hockey	Rugby Union	Volleyball	
Radio	Boxing	Football	Handball	Motor Sports	Snooker	Winter Sports	
Mobile / Telephone	Cricket	Gaelic Football	Horse Racing	Politics	Specials		
Promotions							

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Home

Today's Highlights

Price Format:



West Indies v England - live on Sky Sports 1
Follow the latest action of the 3rd Test from the Antigua Recreation Ground



5:20 Ayr
[Blue Square Mobile Hunters' Chase](#)
Always Right has won his last 5 in points & under rules & should give another good account but Len Lingo won this last year & Brooklyn Breeze could grant him another success.
[Best Odds Guaranteed - read more](#)

Brooklyn Breeze	6/4
Always Right	5/2
Robbers Glen	11/4


[Full racecard & Racing Post form](#)

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 - Site content
 - Cross-selling embedded
 - Increase in pre-markets
 - Increase in in-running
 - Virtual racing improved
- To come
 - Further in-running
 - More virtual sports
 - More languages

Joint venture in Spain

- 44 locations trading in Madrid and the Basque Country at the end of 2008
- Weak economic backdrop
- Review of next steps with JV partner
- Impairment of assets

Telephone

- **Contributes 4% of Group net revenue/gross win**
 - Gross win margin 7.3% (2007: 9.5%)
- **Gross win down 23%⁽¹⁾**
 - High roller activity on horse racing
 - Continuing migration to online
 - Impact of Euro 2008, Ascot
 - Customer base holding steady at approximately 131,500
 - Overseas competition
 - Tax environment
- **Actions in 2008**
 - Management changes implemented
 - Staff patterns adjusted, switch to 24-hour service
- **Focus for 2009**
 - Marketing campaign to promote advantages of service
 - Strict cost control to protect profitability

(1) Comparisons are on a 52-week basis. 2007 was a 53-week period

Managing in a recession

- Resilient trading performance in 2008 and year to date 2009
 - Strong retail gross win margin in 2008 of 6.2%, including 18.3% OTC (2007: 17.2%)
- Resilient but not recession proof
 - Low-ticket, entertainment-led activity
 - Broader customer base
 - Broad product range
 - Machines and online
- Management actions
 - Cost
 - Estate
 - Capex

Current trading: 8 weeks to 24 February 2009

- Group net revenue +9% year-on-year, incl. expanded online
 - Retail OTC gross win margin 20.4% (2008: 18.2%)
- Strong comparatives in 2008
- Impact of poor weather
 - 57 race meetings cancelled (2008: 26)
- Retail gross win +2% year-on-year
 - Including machines +13% year-on-year
- Strong online performance net revenue +54%, incl. acquired businesses
 - Strong Sportsbook, bingo and skill performance
 - Casino and poker moved to Playtech software
 - Strong growth in new customer accounts +48%

Refinancing

- Committed facilities available totalling £838.5m
 - £538.5m forward-start term and revolving facilities available March 2010-March 2012
 - £50m incremental forward-start term facility available for one year expiring in February 2011
 - Existing £250m term facility continues until July 2011
- Complex process involving 21 banks in syndicate
- Alternative debt markets closed or prohibitively expensive

Rights issue

- Proposed Rights Issue to raise £350m net of expenses
- Fully underwritten
- Stronger balance sheet, lower levels of debt

Dividend

- No final 2008 dividend
- Board remains committed to dividends
- Ongoing dividend policy:
 - Dividend cover of 2.5x in 2009 based on underlying earnings
 - Intention to move to 2.0x over medium term
- Expect to recommence dividends at the interim stage in 2009

Financial review

Simon Lane

Group Finance Director

Financial headlines

- Group gross win up 3% to £1,022.5m (6% on 52-week basis)
- Group net revenue up 3% to £963.7m (6% on 52-week basis)
- Operating profit pre-exceptionals down 3% to £278.6m (flat on a 52-week basis)
- Adjusted EPS down 4% at 45.4p (down 1% on a 52-week basis)
- Net debt reduced by £86.1m to £1,022.1m
- Refinancing
- No 2008 final dividend

Summary financial results: income statement

	52 wks 2008 £m	53 wks 2007 £m	Change	Comments
Gross win	1,022.5	988.4	+3%	+6% on 52-week basis
Fair-value adjustments	(58.8)	(54.8)	+7%	VAT, online bonuses, free stakes, etc.
Net revenue	963.7	933.6	+3%	+6% on 52-week basis
Cost of sales	(166.2)	(170.4)	-2%	GPT, levies, royalties, related costs
Gross profit	797.5	763.2	+4%	
Net operating expenses	(516.0)	(477.2)	+8%	Turf TV, extended winter opening
SIS	2.9	3.3	-12%	
Int'l JV income/(loss)	(5.8)	(2.6)	+123%	Spain, half-year of Italy
Operating profit pre-exceptionals	278.6	286.7	-3%	
Depreciation, amortisation and share remuneration charges	40.0	38.5	+4%	Investment in estate development
EBITDA (pre-exceptionals)	318.6	325.2	-2%	

Summary financial results: income statement

	52 wks 2008 £m	53 wks 2007 £m	Change
Operating profit	278.6	286.7	-3%
Net interest payable	(62.5)	(63.3)	-1%
Pre-tax profit (pre-exceptionals)	216.1	223.4	-3%
Taxation	(58.3)	(56.3)	+3%
Profit after tax (pre-exceptionals)	157.8	167.1	-6%
Earnings per share—basic, adjusted*	45.4p	47.4p	-4%
Earnings per share—diluted*	45.1p	47.0p	-4%

* The 'basic, adjusted' and 'diluted' EPS numbers are based on an average issued share capital of 347.6 million shares and 350.2 million shares, respectively. Both 'basic, adjusted' and 'diluted' EPS exclude exceptional items

Exceptional items

Reporting line	Item	£m
Exceptional operating expense	• Reorganisation costs resulting from termination of NextGen	(4.0)
	• William Hill Online integration costs	(1.4)
	• Impairment of investment in joint venture with Codere, S.A. in Spain	(5.4)
Above the line total		(10.8)
Exceptional items	• Profit on sale of 29% of William Hill Online to Playtech in return for acquired assets	86.4
	• Profit on the sale-and-leaseback of 14 LBO properties	2.8
	• Impairment recognised on disposal of interest in joint venture with Codere, S.A. in Italy	(1.2)
Below the line total		88.0

Net revenue analysis

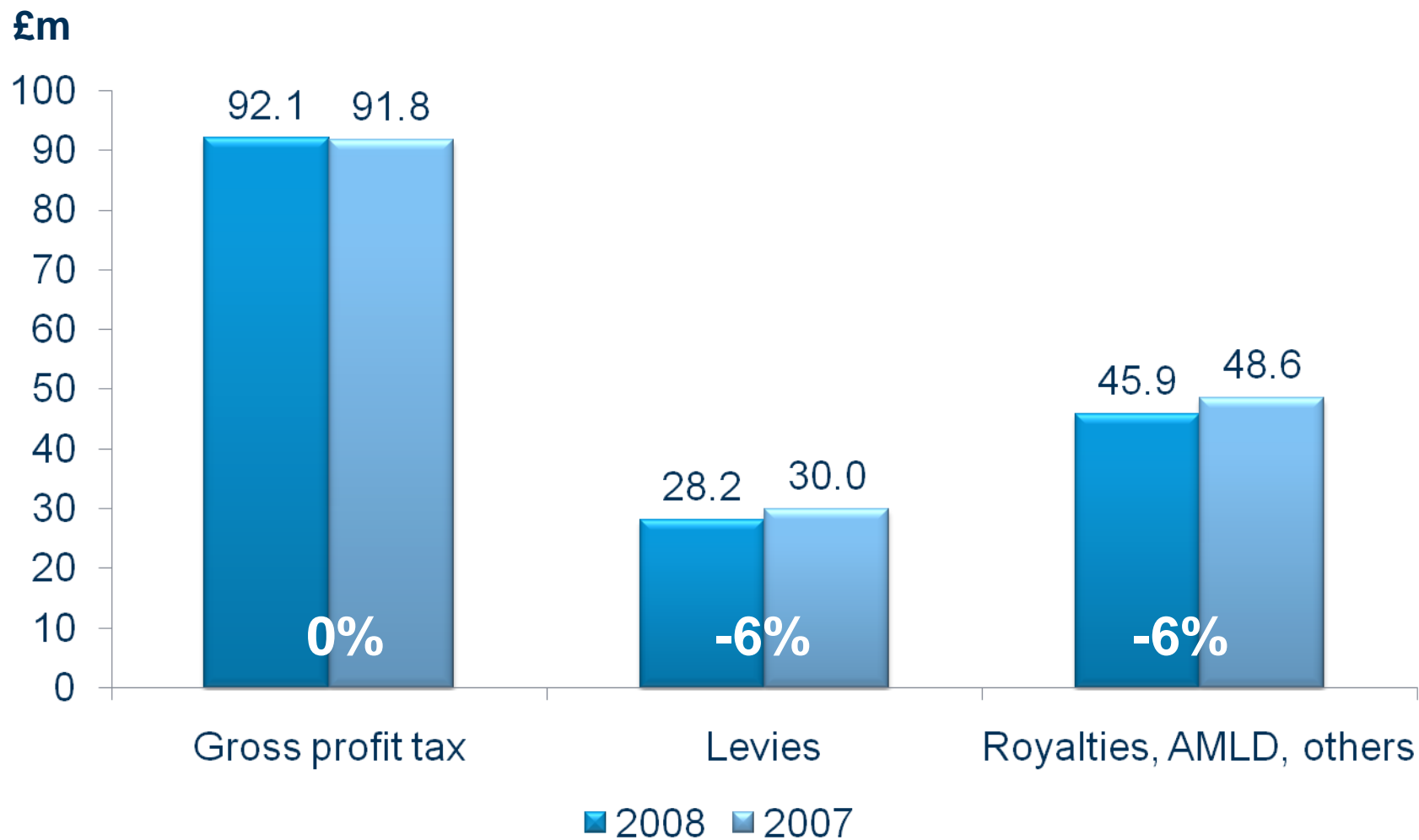
		52 wks 2008 £m	53 wks 2007 £m	Change	Comments
Retail	OTC	519.6	514.3	+1%	Extended winter opening hours
	Machines	271.1	245.0	+11%	Additional LBOs Improved machine supply arrangement
	Total	790.7	759.3	+4%	
Interactive	Sportsbook	42.0	39.5	+6%	Sportsbook improvements
	<i>Gaming – casino</i>	57.7	50.1	+15%	60 new games launched
	<i>Gaming – poker</i>	15.7	19.8	-21%	Marketing/advertising campaigns
	<i>Gaming – bingo, skill</i>	9.7	3.6	+169%	
	Gaming total	83.1	73.5	+13%	
	Total	125.1	113.0	+11%	Customer base increased by 18%
Telephone		39.8	53.0	-25%	
Other		8.1	8.3	-2%	
Total net revenue		963.7	933.6	+3%	+6% on a 52-week basis

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

Gross win: differences from net revenue

		52 wks 2008 £m	53 wks 2007 £m	Change	Comments
Retail	OTC	519.6	514.3	+1%	
	Machines	318.3	288.3	+10%	Pre-VAT payment
	Total	837.9	802.6	+4%	
Interactive →	Sportsbook	44.0	40.1	+10%	Free bets previously netted off against Gross Win
	→ Gaming total	92.7	84.4	+10%	
	Total	136.7	124.5	+10%	
Telephone		39.8	53.0	-25%	
Other		8.1	8.3	-2%	
Total gross win		1,022.5	988.4	+3%	

Cost of sales



Group operating expenses by division

	52 wks 2008 £m	53 wks 2007 £m	Change	Comments
Retail	415.0	391.9	+6%	Estate development Extended winter opening hours
Interactive	50.1	42.7	+17%	
Telephone	24.7	24.6	-	
Other	5.9	6.1	-3%	
Central	20.3	11.9	+71%	
Group operating expenses	516.0	477.2	+8%	+10% on 52-week basis

Group operating expenses by category

	52 wks 2008 £m	53 wks 2007 £m	Change	Comments
Staff costs	258.2	239.1	+8%	Estate development Extended winter opening hours
Property costs	88.2	83.3	+6%	
Depreciation	35.8	35.9	-	
Pictures and data	46.3	33.1	+40%	Turf TV
Advertising/marketing	23.7	20.1	+18%	Investment in Interactive
Finance charges	7.0	7.3	-4%	
Communications	8.3	7.8	+6%	
Other	48.5	50.6	-4%	
Group operating expenses	516.0	477.2	+8%	+10% on 52-week basis

Operating expenses: retail

	£m
2008 operating expenses	415
2007 operating expenses	392
Year-on-year change	+23

Explanation:

- Pictures/Turf TV	11	+3%
- Incremental evening opening costs	9	+2%
- 53 rd week	(8)	-2%
- Underlying expenses increase	11	+3%
Total	+23	+6%

Summary by division

	Retail		Interactive		Telephone	
	52 wks 2008 £m	53 wks 2007 £m	52 wks 2008 £m	53 wks 2007 £m	52 wks 2008 £m	53 wks 2007 £m
Gross win	837.9	802.6	136.7	124.6	39.8	53.0
Fair-value adjustments	(47.2)	(43.3)	(11.6)	(11.6)	-	-
Net revenue	790.7	759.3	125.1	113.0	39.8	53.0
Cost of sales	(135.6)	(137.6)	(20.4)	(19.4)	(9.2)	(12.3)
Operating expenses	(415.0)	(391.9)	(50.1)	(42.7)	(24.7)	(24.6)
Operating profit	240.1	229.8	54.6	50.9	5.9	16.1
Operating profit margin*	30%	30%	44%	45%	15%	30%

* Operating profit divided by net revenue

Summary financial results: cash flow

	52 wks 2008 £m	53 wks 2007 £m	Comments
EBITDA	318.6	325.2	
Working capital / other	(4.6)	(5.2)	
Sale-and-leaseback proceeds	4.5	9.8	14 properties in 2008
Capital expenditure	(53.4)	(63.9)	
Cash from operations	265.1	265.9	
Cash taxes	(38.1)	(71.8)	08: refunds; 07: extra payment
Net interest	(46.5)	(77.7)	07: extra interest payment
Free cashflow	180.5	116.4	
Acquisitions and joint ventures	(7.7)	(33.4)	08: Int'l JVs, 07: LBOs acquired
Dividends	(80.8)	(78.5)	
Share buybacks/SAYE redemptions	0.7	(43.5)	Share buybacks halted in 2007
Net cashflow	92.7	(39.0)	
Net debt for covenant purposes	1,022.1	1,108.2	
Net debt:EBITDA	3.2	3.4	

Capital expenditure

	52 wks 2008 £m	53 wks 2007 £m
Retail development	23.6	46.8
Retail acquisitions	1.4	25.2
Sportsbook (Orbis)	15.1	-
International joint ventures	6.2	8.2
Other (including IT)	12.0	17.1
Total capital expenditure	58.3	97.3

- Rigorous prioritisation of capital expenditure
- Targeting similar aggregate level of investment in 2009 as in 2008

Financing

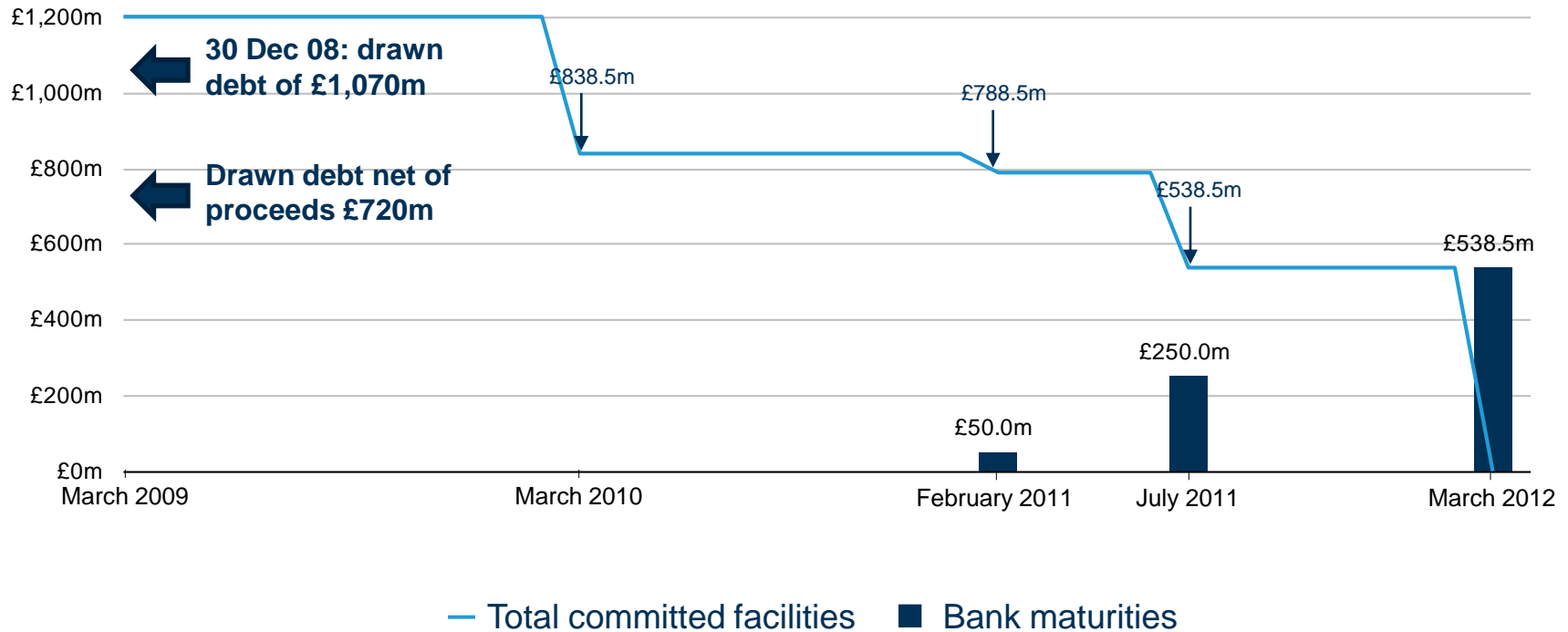
Background

- Previous financing position
 - Total drawn debt of £1.07bn at 30 December 2008
 - Majority of facilities maturing in 2010: £1.2bn (March 2010), £250m (July 2011)
- Deterioration in credit markets reducing availability of debt
- Management responses
 - Share buy-back programme suspended in December 2007
 - Capital expenditure reduced
 - Cost-saving measures
 - Commenced discussions with leading banks in September 2008
- Funding requirement reduced to approximately £1.2bn

Financing solution

- Complex refinancing process
- Committed facilities totalling £838.5m
 - £538.5m forward-start term and revolving facilities available March 2010-March 2012
 - £50m incremental forward-start term facility available for one year expiring in February 2011
 - Existing £250m term facility continues until July 2011
- Alternative debt markets closed or prohibitively expensive
- Proposed Rights Issue to raise £350m net of expenses

Refinanced debt maturity profile



- Pro forma net debt*:EBITDA (2008) = 2.1x

* Net debt as at 30 December 2008 of £1.022bn

Summary of debt facilities

- Margin structure under forward-start
 - £538.5m forward-start :
LIBOR plus 300 bps in 2009, reducing to LIBOR plus 250 bps below 2.75x net debt : EBITDA from March 2010
 - £50m incremental forward-start :
LIBOR plus 450bps until June 2010 and increasing thereafter
- c. £12.5m of one-off up-front fees to be amortised over March 2010 - March 2012
- Legacy hedging arrangements
 - 100% hedging for average net debt across 2009
 - Reducing by 20% per annum thereafter
- All-in expected average cost of interest in 2009 c.8.5%, rising to c.10.0% in 2010
- Cash cost of interest broadly similar between 2008 and 2009, reducing in 2010

Covenants and other terms

- Covenants
 - Net debt:EBITDA: <3.5x
 - Interest cover: >3x
- Dividend
 - No final dividend in 2008
 - No dividend if net debt : EBITDA above 3.25x

Rights Issue

- Rights Issue of £350m net of expenses, based on a 1 for 1 issue of new shares at 105 pence per share
- 40% discount to TERP
- Fully underwritten
- Directors have committed to take up their rights in full
- Benefits
 - Extends debt maturities to 2011 and beyond
 - Improves credit ratios
 - Reduces refinancing requirements in the future
- Robust capital structure and appropriate financial flexibility for current economic environment

Rights Issue dates

- Announcement of preliminary results and Rights Issue 27 Feb
- Prospectus published 27 Feb
- EGM 23 Mar
- Nil paid trading from 24 Mar
- Rights Issue closing date 7 Apr

Summary

Cash-generative core business with significant online growth opportunity

Drive cash from core retail channel

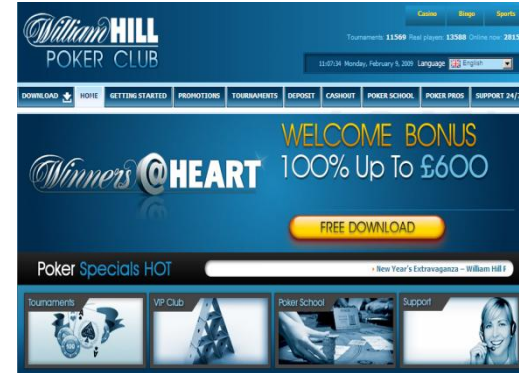
- Maximise organic growth
 - Estate development
 - Product range
 - Fiscal/regulatory changes
- Manage costs
- Small acquisitions

Exploit online growth opportunity in betting and gaming

- William Hill Online
 - Integration on track
 - Enhanced technology platform
 - New customer sites launched: Sportsbook, poker, casino
 - Expanded customer base
 - Strengthened European marketing capability

William Hill Online: robust start to 2009

- Significant momentum in first eight weeks
 - New management team
 - New casino launched on Playtech software
 - New poker launched on highly liquid iPoker network
 - Net revenue +54%, incl. expanded online
- Next steps: integration, marketing, products, reach
 - Full affiliate integration in Q1 2009
 - Reorganise operations during 2009
 - Integrate new Playtech casino and poker software
 - More in-running betting and markets for Sportsbook
 - Integrate back-end technology for CRM activities
 - Cross-sell Sportsbook to European gaming customers and vice versa



Summary

- Resilient trading performance in 2008 and 2009 to date
- Business model strengthened
- Confident in prospects for both retail and online
- Strategic initiatives underpin growth opportunity
- Refinancing solution
- Well positioned to continue to deliver growth and shareholder value

Appendices

Change in reporting: net revenue

- Bringing reporting in line with industry practice following creation of William Hill Online
- Net revenue = gross win less VAT and fair-value adjustments for free bets, promotions and bonuses

Reconciliation: net revenue 2008

Reconciliation: 2008	2008 new £m	2008 previous £m	Variance	Comments
Gross win	1,022.5	1,020.0	2.5	Free bets previously netted off at gross win, moved to fair-value adjustments
Fair-value adjustments	(58.8)	(47.2)	(11.6)	VAT, online bonuses, free stakes, etc.
Net revenue	963.7	972.8	(9.1)	
Cost of sales	(166.2)	(172.7)	6.5	Bonuses moved to fair-value adjustments
Expenses	(516.0)	(518.6)	2.6	Goodwill gestures moved to fair-value adjustments
SIS/JV	(2.9)	(2.9)	-	
Trading profit	278.6	278.6	-	

Change in reporting: net revenue 2007

Reconciliation: 2007	2007 new £m	2007 previous £m	Variance	Comments
Gross win	988.4	983.6	4.8	Free bets previously netted off at gross win, moved to fair-value adjustments
Fair-value adjustments	(54.8)	(43.2)	(11.6)	VAT, online bonuses, free stakes, etc.
Net revenue	933.6	940.4	(6.8)	
Cost of sales	(170.4)	(174.2)	3.8	Bonuses moved to fair-value adjustments
Expenses	(477.2)	(480.2)	3.0	Goodwill gestures moved to fair-value adjustments
SIS/JV	0.7	0.7	-	
Trading profit	286.7	286.7	-	