

Financial Results

31 July 2008

This presentation contains certain statements that are or may be forward-looking regarding the Group's financial position and results, business strategy, plans and objectives.

Such statements involve risk and uncertainty because they relate to future events and circumstances, and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.

Interim results - Simon Lane

**Operational review
and Group priorities - Ralph Topping**

Simon Lane
Finance Director

Financial Headlines

- Gross win up 4% to £516.0m
- EBIT pre-exceptionals at £145.1m (down £16.1m)
- Adjusted EPS down 18% at 23.5 pence
- Interim dividend maintained at 7.75 pence
- Total pre-tax exceptional items of £2.2m comprising:
 - Reorganisation costs of £2.5m
 - Impairment of Italy investment of £1.4m
 - Sale & leaseback profits of £1.7m

Summary of Financial Results

	<u>H1 2008</u>	<u>H1 2007</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
⁽¹⁾ Gross win	516.0	498.2	+ 4%
GPT, VAT, duties, levies, royalties and related costs	(112.3)	(109.7)	+ 2%
Gross profit	403.7	388.5	+ 4%
Net operating expenses	(257.2)	(229.0)	+ 12%
SIS	1.9	1.9	- %
International JV income	(3.3)	(0.2)	+ 1550%
EBIT (excluding exceptionals)	145.1	161.2	- 10%
EBITDA (excluding exceptionals)	162.8	177.9	- 8%

⁽¹⁾ Includes gaming machine cash in box including VAT

Year-on-year EBIT track



Group Summary of Earnings and Dividends

		<u>H1 2008</u>	<u>H1 2007</u>	<u>Change</u>
		<u>£m</u>	<u>£m</u>	<u>%</u>
EBIT (pre exceptionals)		145.1	161.2	- 10%
Net interest payable		(31.8)	(30.9)	+ 3%
Profit before taxation (pre exceptionals)		113.3	130.3	- 13%
Taxation		(31.6)	(29.4)	+ 7%
PAT (pre-exceptionals)		81.7	100.9	- 19%
Earnings per share (pence)	Adjusted ⁽¹⁾	23.5	28.6	- 18%
	Diluted ⁽¹⁾	22.8	29.4	- 22%
Interim dividend per share (pence)		7.75	7.75	- %

⁽¹⁾ Adjusted basic and diluted earnings per share based upon 347.4m and 349.8m shares respectively. Adjusted EPS excludes exceptional items comprising £2.5m reorganisation costs, £1.4m in impairment costs, £1.7m profit earned on sale and leaseback of properties and £0.2m of related tax relief.

Analysis of Group Gross Win

		<u>H1 2008</u>	<u>H1 2007</u>	<u>Change</u>
		<u>£m</u>	<u>£m</u>	<u>%</u>
Retail	OTC	266.9	262.7	+ 2%
	Machines	154.4	140.4	+ 10%
	Total	421.3	403.1	+ 5%
Interactive	Sportsbook	21.6	23.9	- 10%
	Games (incl. Bingo)	17.9	7.0	+ 156%
	Casino	17.6	19.8	- 11%
	Poker	10.5	11.3	- 7%
	Total	67.6	62.0	+ 9%
Telephone		22.8	29.2	- 22%
Other	(1)	4.3	3.9	+ 10%
Total gross win		516.0	498.2	+ 4%

(1) Includes greyhound stadia, course and group promotions

Duty, Levies and Other Cost of Sales

	<u>H1 2008</u> <u>£m</u>	<u>H1 2007</u> <u>£m</u>	<u>Change</u> <u>%</u>
Gross win	516.0	498.2	+ 4%
GPT/VAT	(70.7)	(67.8)	+ 4%
Levies	(15.8)	(15.8)	- %
Royalties, AMLD and other costs	(25.9)	(26.1)	- 1%
Gross profit	<u>403.6</u>	<u>388.6</u>	<u>+ 4%</u>

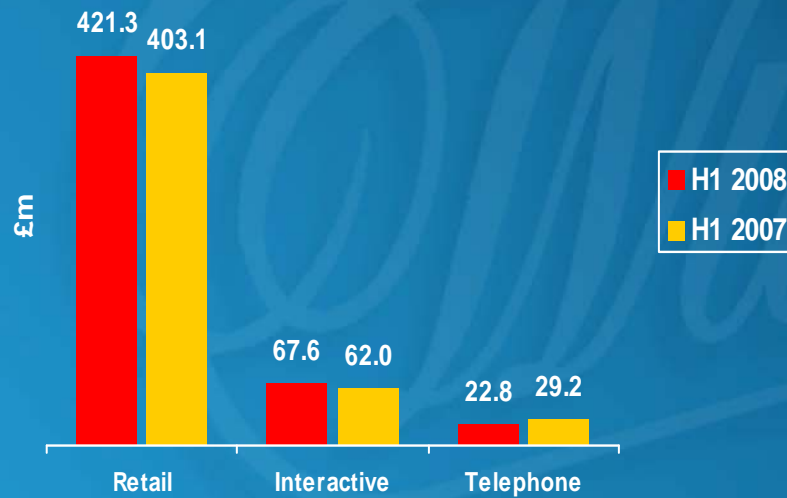
Net Operating Expenses

	<u>H1 2008</u>	<u>H1 2007</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
Staff costs	128.0	114.3	+ 12%
Property costs	42.9	40.1	+ 7%
Depreciation	16.2	16.7	- 3%
Pictures and data	21.9	15.1	+ 45%
Advertising and sponsorship: General	13.6	11.6	+ 17%
EURO 2008	0.6	-	- %
Finance charges (incl chargebacks)	3.1	4.0	- 22%
Communications	3.9	4.2	- 7%
Other	(1) 27.0	23.0	+ 17%
Operating expenses	257.2	229.0	+ 12%
Analysed as:			
Channel costs	247.1	225.4	+ 10%
Central costs	10.0	3.6	+ 178%

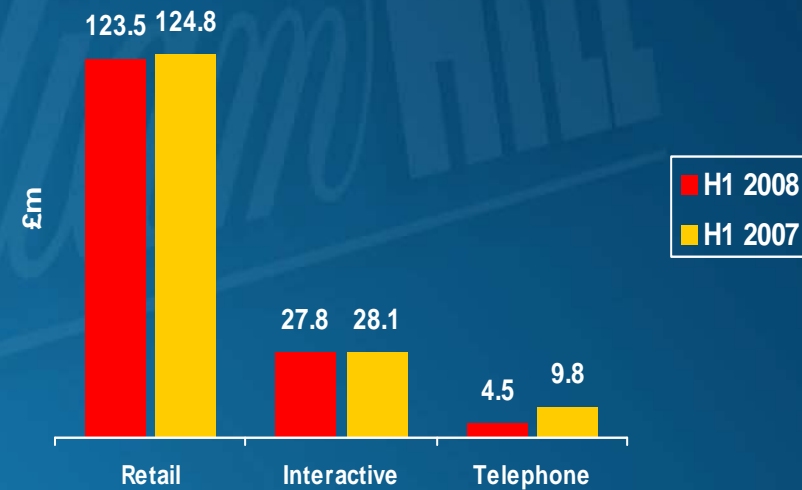
(1) Includes printing and stationery, legal, consultancy, cleaning, property profits and other miscellaneous costs

Results by Channel – 2008 v 2007

Gross win by channel



Operating profit by channel



Capex Spend and Forecast

	<u>FY 2008</u> <u>Forecast</u> <u>£m</u>	<u>H1 2008</u> <u>Actual</u> <u>£m</u>	<u>H1 2007</u> <u>Actual</u> <u>£m</u>
Retail development ⁽¹⁾	35.0	13.8	16.4
Retail acquisitions	1.0	1.0	24.4
ORBIS	16.0	2.9	-
Spain & Italy	10.0	2.4	5.0
Other (including IS)	15.0	3.8	8.4
Total	77.0	23.9	54.2

⁽¹⁾ Development = new licences, resites and refurbishments

Cash flow

	<u>H1 2008</u>	<u>H1 2007</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
EBITDA	162.8	177.9	(15.1)
Working capital/other	(10.8)	24.7	(35.5)
Capital expenditure	(20.5)	(24.8)	4.3
Cash from operations	131.5	177.8	(46.3)
Cash taxes	(17.6)	(32.8)	15.2
Net interest	(31.2)	(31.0)	(0.2)
Equity dividends	(53.8)	(51.2)	(2.6)
Free cashflow	28.9	62.8	(33.9)
Acquisitions (incl. JVs)	(3.4)	(29.4)	26.0
Share buybacks/SAYE redemptions	0.2	(2.0)	2.2
Net cashflow	25.7	31.4	(5.7)
Net debt	(1,058.9)	(1,012.7)	(46.2)

Debt financing

- Debt facilities of £1.45bn – all sourced from banks
- Maturity:
 - £1.2bn – March 2010
 - £250m – July 2011
- Financial covenants:

	<u>Covenant</u>	<u>Actual</u> <u>HY 2008</u>
➤ ND/EBITDA	< 4.25x	3.5x
➤ Interest cover	> 3.0x	4.9x

Ralph Topping

Chief Executive

The way ahead

- A betting AND gaming business
- Strong brand
- Solid foundations in retail
- Opportunities for dynamic growth online

UK Retail

- Machine +10% growth
- OTC +2% growth vs. strong 2007
- Demand criteria – no impact
- Evening opening – reduction in winter opening hours 08/09
- Resilience to economic slow-down



Evening opening

- Optimum hours for closing UK shops :

	<u>No of shops</u>	<u>%</u>
➤ 6:30 pm	82	4%
➤ 8:30 pm	457	20%
➤ 9:30 pm	1,711	76%

- Realise a saving over 08/09 - £1m

UK Retail

- Machine +10% growth
- OTC +2% growth vs. strong 2007
- Demand criteria – no impact
- Evening opening – reduction in winter opening hours 08/09
- Resilience to economic slow-down



2008 vs. 1991 UK Retail

- Stronger business in 2008
- Low average bets
- Better distribution of estate
- Wider product range
- 13% fewer UK betting shops
- Significant investment in estate

Recent trading

In the 4 weeks to 29 July 2008

- Group gross win down 0.9%

Outlook

Board remains comfortable with current range of market expectations

Gaming performance

- Gross win up 21%
- Poker liquidity issues
- Gaming activity
 - New management team
 - 39 games launched during the period
 - 19 more games to come
 - TV bingo advertising
 - More TV advertising



Sportsbook improvement

- Investment in content & streaming
- Increased marketing spend
- New people & new structure
- Market-leading pricing on football
- In-running customer management
- ORBIS
 - On time
 - On track
 - On budget
- Run rate up



Sportsbook performance

Average weekly GW by qtr



Q2 2008 v Q2 2007

- Slips up 11%
- GW up 2%

H1 2008 v H2 2007

- Slips up 21%
- GW up 39%

Telephone performance

- Soft performance vs. strong H1 2007
 - Gross win % – 8.6 vs. 10.2 LY
 - Euro 2008 – zero profit
 - Royal Ascot GW – 78% down on 2007
 - Big player group – negative in H1
 - Focus on cost control



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FREE £10
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Free £10 matched bet on correct score, next team to score or 90 minute result for the 2008 FA Cup Final when you first call and stake £10 or more on any betlive market during this match, dial 0800 72 71 72 and quote TBWembley2



Euro 2008

- Poor start in first 10 matches
- Losing position on Spain
- Nine winning odds on favourites out of 14
- Book lost in 20 out of 31 matches
- Semi-finals and final won by favourites in 90 minutes

Euro 2008
Same passion, different shirts

BET	WIN
£10	£100

Holland TO BEAT France

 2  1 

Saturday 7.45pm

0800 44 40 40

International

- Italy decision
- Madrid
 - 11 current locations
 - By end of year – secured 70
- Basque
 - By end of year – over 60
- Spain
 - Internet
 - Other regions



Priorities

- Online gaming
- Sportsbook launch
- New talent
- Marketing skills
- Affiliate network
- Telephone operations

Q & A