**William Hill** **26th February 2010**

Duration: 01:14:03

Ralph Topping: Good morning ladies and gentlemen. Welcome to our final results. If we start with slide two, I am going to talk today about what has been a transformational year in our online business and also gaming machines and also for our balance sheet. A year in which we quite simply did the things we said we would do. Then I want to tell you about the growth we see in 2010, but first of all let's look at 2009.

The big story is Online and we integrated the assets acquired from Playtech. We expanded our operations and quite literally we transformed our product offering. The groundwork is done. It was done by the end of the third quarter last year, and we're now readying ourselves to invest in marketing activities to drive net revenue growth for William Hill Online, a bit more on that later.

We have also been busy elsewhere. In Retail we will shortly complete the rollout of the popular Storm cabinets, which deliver state of the art gaming machines across 73% of our estate. We now have the benefit of a stronger balance sheet with a substantially lower net debt position, and also diversified sources of funding, and of course longer maturities. We achieved all this while delivering a solid performance in a year characterised by what others have called 'unusual sporting results', in which I agree; and especially tough economic conditions. The overall impact in this challenging economic environment was a 4% increase in Group net revenue and a 7% decline in earnings before interest, tax and amortisation.

Looking to this year, we feel the consumer is going to remain under pressure, but the World Cup will drive interest in football. Not only during the tournament but it never should be forgotten, it also drives interest in the following domestic season. It always has done, we're confident it will do so this year. And in Machines we shall be completing our Storm cabinet rollout by the end of March.

We're going to address challenges we have in our Telephone business before the end of the year and in Online our Sportsbook will spearhead further advances. It will deliver a lot more football in bet and play, both areas have real opportunity for us, and we also have plans to invest in the brand. I shall of course talk about all of these things in greater detail. But first let me give you our Group Finance Director Simon Lane and the financial highlights last year. Simon.

Simon Lane: Thank you Ralph and good morning everybody.

Let's start with the picture of the Group before we go into the three channels. Net revenue is up 4% with the expansion of the Online business and EBITA is down 7%, primarily because of the weaker trading over the counter in Retail. The amortisation was 5.5 million relating to William Hill Online. In 2010 it goes down to 3.6 million a year for the next four years.

The other key points here are the effective interest rate for the year; it was 7.7%, in line with expectations, bringing interest costs down 11%. There was a reduction in tax of 17%, on an effective rate of 24.5%, and it should be at a similar level in 2010. And the reduction in debt of 420 million to just over 600 million, as a result of the 350 million rights issue and strong operational cash flow. Adjusted EPS is down, reflecting both the lower retained profit and the increased number of shares in issue following the rights issue. As promised at the time of the rights issue, we returned to paying a dividend at the interim. The Board has approved a second interim dividend of 5 pence per share in lieu of a final dividend. This gives a full year dividend of 7.5 pence per share. The second interim dividend will be paid on 1st April 2010, so that it is received by shareholders in the current tax year.

Let me explain the exceptions. These totalled 77 million in the year of which only 9 million have a cash impact in 2009. Of the 9 million, 6 million relates to William Hill Online integration, and as we said in November, it is now complete. The refinancing cost we flagged in the first half relate to the rights issue. The non-cash charges are largely impairments with three significant items.

First in November, when we announced the bond, we have flagged that the increased ineffective hedging would lead to a mark-to-market charge of between 16 and 19 million, against the income statement. We're at the top end of that range, plus the 2 million we recorded in the first half. I will come back to the hedging arrangements later on in the presentation.

Secondly on Telephone, we have written off 35 million of the goodwill. This was a portion to Telephone when the Group's goodwill was allocated by channel at the time of the change to IFRS five years ago. At that time, Telephone was generating profits of 13 million. This adjustment reflects its reduced profitability over the past couple of years, as a result of competitive pressures from both betting exchanges and offshore operators. Ralph will talk more about our plans on Telephone shortly.

Finally we have recorded an 8 million impairment against our Irish operations. Ireland has been challenging and the economy has impacted our performance. You will remember that we closed 14 shops earlier in 2009, leaving us with 35 shops in the Republic.

Now let's look at things by channel along with the key metrics for each. Just to touch on the fourth quarter, football margins were stronger than usual because of the results pattern. We continued to see weakness in over the counter amounts wagered, bringing gross win down 12% in the full year. But Machines have continued to grow well, up 8%, with some very early benefit of the Storm cabinets coming through in quarter four. Overall net revenue was down 4% and operating profits down 16% owing to the operating leverage. Cost of sales includes the savings on VAT from the one year rate reduction. VAT will cost us an extra 7-8 million in 2010. Property costs include both development and the spike in energy costs, for which we will get a benefit this year. Staff costs have been kept flat, are benefitting from the pay freeze that has been in place since March.

We said we would be tight on costs in Retail and we have been. Overall costs came in at 3.4% up year-on-year. But stripping out the Irish shop closures, UK is state development and the spike in energy costs shows the underlying cost growth is just 1%; that includes an extra month of Turf TV and contractual increases in picture costs. In 2010 we're targeting to keep cost increases to 4% or below and that includes development activity.

Telephone continues to be challenged by competition from exchanges and offshore operators, as well as by difficult economic conditions. Net revenue was down 25% and net revenue margin was down 1.5 percentage points rather at 5.8%, in part reflecting a weaker horse racing margin.

Onto the key metrics for these two channels then. We have continued to expand the estate. Our average number of LBOs was 2,324 in the year and was 2,342 at the year end. We also had an additional 100 machines at year end giving an average of 8,716.

In Retail over-the-counter-amounts-wagered were down 8%, compared with 11% in the first half of the year. We have talked a lot about the ups and down we have seen in sporting results this year, because the fluctuations have been more extreme than we're used to. But we came back to within our normal trading range at 17.7% for the year as a whole and this is 0.6% or percentage points lower than 2008. Which itself benefitted from very strong sporting results in the fourth quarter. That represents a difference of about 2% that margin change on overall Retail net revenue.

The continued strong performance in Machines is clear, with average gross win per machine up 6%, and the margin improving to 3.1%. In the past we have reported contribution per machine per week, but in future we will focus on gross win per machine per week and this is in line with the peer group. It also reflects the fact that machines are a core product in Retail and not a bolt-on. For transparency though, we have given the contribution number for this last year in the footnote.

And so to William Hill Online which has delivered a good financial performance at the same time as completing the integration and relaunching and improving Sportsbook, Poker and Casino. Net revenue was up 8% on a pro forma basis. Sportsbook was flat in the year with turnover up but with the margin down 0.9 percentage points to 6.6%. The underlying growth continues to be very positive and Ralph will say more about that in a minute. In Gaming we have seen very strong growth in Bingo and Casino, with some offset from Poker, following the migration to the i-Poker network. Net revenues were up 11%. Cost of sales is down thanks to the 4 million saving on tax and levy from moving offshore. We have got another 6 million benefit coming through in 2010.

If we move now onto costs, you will see that they have increased by just under 19 million, as we have invested in growth. As a result, profits are broadly flat year-on-year. On costs we have built the infrastructure during the year to give Online the right platform for growth, with the ability to compete in the UK, Europe and Internationally. What does that infrastructure consist of?

Well you can see from this chart that we have invested in people, in marketing, in establishing a substantial operation in Gibraltar and in technology. The benefit of our stronger marketing capability is clear. The number of unique-actives is up 31%, new accounts are up 28%, and cost per acquisition is down 12%. Yield continues to be weaker as with the rest of the industry. And while the margin was weaker, Sportsbook amounts-wagered was up strongly; 19% in the full year, 32% in the second half. If you're looking for key metrics against William Hill only, the only business in 2008, you will find those in the Appendix.

A couple of brief comments on cash flow and then to the balance sheet. Free cash flow was 121.9 million, down from last year due to lower cash –profits, higher interest and tax payments and the payment of a minority interest dividend to Playtech. However, both the interest and tax numbers in 2008 are distorted by the timing of payments in that year. As I said earlier, interest and tax costs underlying have both come down in 2009. On dividends, we didn't pay a final dividend for 2008, so this relates only to the 2009 interim. We have got the Playtech minority interest too. Borrowings have been reduced through the rights issue and operating cash flow, bringing our net debt for covenant purposes down by 420 million to 603 million. For clarity, this net debt calculation strips out numbers such as client balances which stood at 35 million at the year end. This is the number we use for effective interest rate calculations. Our net debt to EBITDA ratio on a covenant basis has come down from 3.2 to 2.2 times.

Onto Capex where we have continued to be careful with our cash, prioritising new shops and William Hill Online for our investment. For 40 million of Capex we have increased the estate by a net 23 shops. We cut back on refurbishment work for two years while we were in cash conservation mode, but are adding maintenance Capex back in this year. Online has also had 14 million shared between integration and further product development with the Sportsbook. The joint venture costs won't be incurred going forward, as we have now completed our withdrawal from Spain; and in 2010 with the increased maintenance I have talked about in Retail, Capex will come back up to around the 60-65 million mark.

Of course I can't leave you on my last presentation as Finance Director of William Hill without talking about the topic that has dominated my life for the last two years, and if you don't know it, it is the balance sheet. I am delighted we have been able to turn around the balance sheet during 2009. We have taken net debt down by 420 million, and through the bond we have diversified the debt sources, reducing our reliance on the bank debt market and we have pushed out the maturities. Investor's response was tremendous, we looked to get 200-250 million and we were five times over subscribed for the 300 million we finally decided on. This was at both a better rate and a longer tenure than we expected, being 7 and 8% over seven years. The table on the left gives you the new facilities and maturities and how these have changed as a result of the bond, which we used to replace the 50 and the 250 million bank debt facilities.

On the hedging, you will remember that these Legacy facilities were put in place when our debt was much higher and bank debt was the only available market to us. The hedging is rolling off at about 20% a year, but the reduced bank debt and the fixed debt on the bond leaves us with more interest hedging arrangements than we require. So under the accounting standards, we have split our interest hedging arrangements between effective and ineffective instruments. Hedging contracts are fair valued at the point they become ineffective, and this value has been charged to the income statement as an exceptional item in the 2009 accounts. Going forward the cash costs payable under these ineffective arrangements will be charged as exceptional items over the next couple of years, but it will be offset by a non-cash revaluation of these contracts to reflect the cash payments made. If the interest forward curve stays the same as today, these should broadly net off in the exceptional line. The effective rate in 2010 for interest will be about 10%, and it is broken down into cash and into non-cash components. The cash components are the bank debt, charged at the hedged LIBOR rate of between 4.5 and 5.5%, plus the 250 basis points margin; and the bond at seven and eighth coupon.

On top there is the non-cash amortisation of the refinancing and bond fees; which amounts to 12 million for the bank debt over the two years of the facility in quarter one 2010. And of course there is the net interest on our pension scheme liability.

That is it from me. I would just like to say how much I have enjoyed my time with William Hill and that is even Ivor's questions. I believe the business now has strong foundations, has momentum behind it and great prospects; and I wish my colleagues every success. Of course I would be delighted to take questions on these numbers in a few minutes. But for now I would like to hand back to Ralph. Thank you.

Ralph Topping: I thought you might get a wee round of applause there Simon from a warm and appreciative audience, but never mind. For the one awful moment there when you were going to talk about the subject that has haunted you for years, I thought you were going to have a wee go at me in public.

Okay Retail, you ask about the effect of the economy and here is the effect of the economy. We have seen a softness amongst wagered. People are a bit more cautious. The working mind is a bit more cautious, but betting volumes are still high. The one true gauge of popularity of betting; busyness. They give me confidence that when the economy picks up, average stakes will rebound very quickly, bets volumes haven't dropped substantively, but it is not across the whole piece in any case. There has been a rise for instance in football slips and we know that some of the money has moved to machines where we have seen that strong 8% growth. More Storm cabinets came through at quarter four of last year, and as I say will be coming through in quarter one of this year. They're going to help drive the next phase of growth in machines. Retail also excluded cost control; we've held staff costs flat, the pay freeze that we've been running for last wee while will continue to this October and that will in fact mark 31 months of basic pay being frozen.

We've developed our management models and secured procurement savings of some £2.6 million and £6 million over the lives of some contracts. These savings have come in areas such as IT and telecoms and fleet and waste management. We showed you the sporting results for the first nine months when we gave you this chart back in November and this completes the picture. You often hear bookmakers complain about sports results; it goes with the territory, but in actual fact they normalise over time, the sports results not the bookmakers.

We had a half one margin of 18.2%, a weak quarter three and a strong quarter four; that gave us 17.7% for the year. That's pretty close to the five year average of about 17.1%. Our football margin for the full year returned to its normal 20-25% trading range and you can see in this graph just how our football margin improved in quarter four. We said in the interims the horse racing margin was lower and we ended the year almost 1% weaker at 14.7%. There's no doubt that in this recession as in other recessions there is an impact on racing. The average number of runners is lower, price competition at the track is also affecting margin.

Overall with our mix of products we expect this year to be in line with our normal trading range somewhere between 17 and 18%. I think one of the secrets of our success in machines is innovation. I've mentioned Storm; we're also rolling out some new games content with B3, sorry new games with B3 content. We've 3,400 machines practically in 870 shops by the end of the year. We'll have almost 6,300 machines installed by the end of quarter one 2010. The machines are still building nicely. The current trading, gross win is up 6%; that is partly the benefit of Storm cabinets coming through. Some of it is crossover to machines when we were short of horse racing during the bad weather in January.

I sometimes think we fail to talk enough about retail, but we are constantly adding to the estate and upgrading it sometimes sounds like a fall through bridge paint job, it is work that does go on. So while the estate is up by a net 23 shops, we actually have 55 new ones; which is ahead of the target of 45 that we set ourselves. This year we plan to open a further 50. This is all part of an increasing focus on our estate management and last year we closed a higher than average number, half of them in Ireland. We squeezed our investment on refurbishment last year as Simon indicated our Capex plan for this year will see us return to a strong refurbishment programme.

Telephone; the story is here on the slide. Telephone is a very small part of our business, but we're of course, as it's the oldest part of our business, committed to maintaining a telephone service and we shall be reviewing our options to improve our telephone performance. This is territory – I've said it before – where we are at a disadvantage. In a tough economy we're seeing continued migration online, that's natural, but also to exchanges, more importantly to offshore telephone operators.

We're fighting on a Wigan Football Club unlevelled playing field here and the way exchanges of tax, levied and regulated gives them a clear advantage. I've discussed many times that the advantages that come from being offshore. We shall be addressing all this in 2010 and we've got a number of options open to us. Quite simply, we have to tailor the cost base to the customer base, ask which customers we want, discuss the possibilities of a different location, but before the end of the year we will have committed to a [unclear], we will have actioned, taken action on Telephone.

I came in as CEO exactly two years ago and I emphasised the importance of one lane through this business then and I've emphasised it ever since. From my particular perspective it's good to be able to stand here and discuss just how much change we've been through as we've moved towards Online goals. The creation of William Hill Online has transformed us; it has the freedom to behave as a pure play online business. We have an innovative business with the right culture and understanding of the power of new products and a focus on technology to deliver them. We had a hell of a lot of work to do on integration in 2009, but still delivered the results you see here.

I'm pleased to report that we have new customers up by 28% and unique active players up by 31%; these are pretty strong trends. What is going to drive further growth? A lot actually; principally market-leading products and good marketing. Our Sportsbook is taking us into new markets; it's building the brand of William Hill Online. Poker as we all know is a tough market, but we still believe we have the best platform available. On Casino, we have the best software and a bonus engine that our marketing team need for them to do their job. Bingo, they started from a low base a number of years ago, but it's actually our fastest growing product and we're putting a lot of resource into Bingo this year. William Hill Online, we have the right vehicle I think for international growth. We're going to be expanding on marketing investment to achieve that. But we shall drive net revenue profit growth; we shall be investing to drive further growth.

Let me break down Online just a wee bit further for you. The figures for growth are good over the year. I'm more excited though by what we saw in quarter three and four with the benefits of all the work we did in the first half of last year began to come through. Turnover for the year was up from 19%. It was up 24% in quarter four and net revenue is showing a marginal decline for the year, but it was up 30% in quarter four. The margin overall was weak, but we extended our in-play offer last year and we also, in horse racing offered best-horse guaranteed. We also suffered in quarter three from sporting results going against us, but we saw those margins improve in quarter four on the back of some initiatives to give us quicker prices, more events, more markets and a wider range of bets.

You'll perhaps get an idea of the increase in in-play betting when I tell you that 32% of Sportsbook turnover is currently in-play and that's up from 26% in 2009. If you exclude racing and virtual, which we can't do bet and play on virtual racing at the moment, 50% of Sportsbook turnover is currently in-play betting. On gross wins 21% is coming from in-play so far this year and over 44% if you exclude racing and virtual. The sports where in-play betting is really popular is tennis; so far this year 71% of our tennis turnover and 81% of our gross win has been from in-play betting. That's why I've talked so much about in-play betting; it's a big, big part of our future and altogether the early signs are encouraging. Sportsbook revenue is up 74% in the first seven weeks of this year, but remember last year it was the August introduction, so we're not actually comparing like-with-like, because we didn't have the offer that we have this year. I'm not going to be celebrating before we've actually won the Cup, ladies and gentlemen.

Three important things we've done, or three we're going to do: we've actually introduced our own in-play, in-house what I would call Research and

Development team who are developing our own in-house algorithms. We have at this point in time multi-match in-play currently showing 30, 35 events simultaneously. We have new betting and data feeds from many sources of markets globally and coming up we have a new design, greater automation and the 750 matches a week and 100 markets a match. We are on our way there already; we currently offer 300 matches a week and 40 markets a match.

There's more still: international size, in-play markets and other key sports. We're going to be doing what we are doing in football and basketball, snooker, darts, cricket, rugby league, rugby union, volleyball, handball and we'll take them in the order where we see the best returns, so this is a big, big year for us in terms of in-play betting. We'll use the World Cup to become much more dominant in football and one of the major players in in-play betting. We've actually shown we can do it in tennis. In tennis we're already averaging 150 markets a match and betting on about 80 matches. By the time Wimbledon comes around we shall be adding point-by-point betting.

Sportsbook is actually a great international calling card. We launched our German site in December, we've submitted our licence for Italy and we have a further 21 international sites earmarked for this year. For those 21 we'll translate gaming and key pages in Sportsbook and provide local customer services and payment systems. The sites where we get traction then become the opportunities for full Sportsbook localisation.

When we did the deal with Playtech we acquired a strong marketing capability. You can see it coming through here in that growth in Casino and Bingo. The poker market, as I said is tough and we lost some customers as we migrated into i-Poker. That's a strong performance from Casino and the Bingo growth speaks for itself. It's only 7% of net gaming revenue, but that's not a bad base from which we shall get good growth. It's strong in Spain, for instance, where there's a real bingo culture. We've seen as well some very interesting benefits from what are rudimentary social networking and building customer retention. That's what I mean by applying new brains to our business.

I want to talk to you in depth, a wee bit of more depth about the international possibilities. There's real online growth opportunity. We've actually done a lot of work to develop our international teams. We've built dedicated management and marketing teams for key countries and we've taken on Sportsbook guys with great European sports experience. You've heard me talk lots over the last two years about new brains and we went out to bring them in. We have them from win, we have them from Sportingbet and we have them from Party [Tech] to name just a few companies. And we've got experienced guys who've already launched sites in Europe. In Italy we see a good opportunity for casino products and we piggyback Sportsbook in, and offer localised content. We know how strong the William Hill brand is and we plan to use that strength to establish Sportsbook in key territories.

We've done a great deal of work in integration and development and now that it's done we feel ready to drive the brand into new markets. That marketing drive begins in earnest this year. I'm a Scotsman; we won't throw money about. It's going to have to be targeted, it's going to have to be focused on revenue growth, but we are planning a virtuous cycle, which is the one you're all familiar with; more revenue, more marketing, more revenue. We tend to spend our money well. Last year we spent about 21% of net revenue in marketing compared with more than 30% for most of our competitors. This year our spend, we estimate, will be about 25%, but let me stress it's going to be focused on return.

Current trading, I can only give you the usual caveat and hold up a yellow card to you before you get all excited. This is two short a period from which to draw conclusions about the year as a whole, but because it's been an unusual period I'm going to give you a bit more detail than usual.

We'll look at the Group as a whole. Performance is in line with our expectations for the period, but how does that affect our split between Retail and Online. For Retail we're still seeing the high level trends we saw in 2009 with continued pressure and spending by the working man, customers being careful with their cash and substitution into machines. There's also been the complication of a seasonal impact with the weather.

Over-the-counter is a story of volumes and margin. Amounts wagered is down 6% due to continued softness in numbers of slips and pence per slips, but if you look at it by major sport, four-legged sports have been more impacted by the weather, but there's been a decent amount of football product and we've done well there on amounts wagered. On margins in the seven weeks we're in our normal trading range, but you've got to remember, last year was significantly above that range at 19.4%. I hope you can see this combination of volume and margin accounts for the 13% fall in over-the-counter gross win. The good news is that machines are continuing their 2009 trend with gross win up 7% off the back of the Storm rollout. I am anticipating a question Ron on run rate, the February run rate is 8.5% gross win increase. Don't get overexcited please, as there will also be substitutions from over-the-counter, particularly when you look at January with the weather impacting horseracing product.

Looking at online, I must say we're very encouraged by our trading. Net revenues are up 22%. Gaming is up 8%, but this was impacted by high roller big wins in weeks one and four. There's nothing greater than kicking off the year with high roller winning in week one and I can tell you that, it can send your blood pressure soaring. Otherwise we'd be showing good double digit growth in gaming, roundabout 13% we estimate. You can see the start has definitely been Sportsbook and we've got good momentum. I told you earlier our turnover was up 24% in quarter four and it's up 44% in the first seven weeks. I think that's a clear indication of our strategy, which is to offer the product and the punter will come. Football turnover was up 91%; horseracing turnover was up 37%. It's not just the volume story, we also said the changes we're making would help the margin and clearly that's happening, because net revenue is up 74%. I've also told you betting and running is a big growth are; in 2009 it was 14% of net revenues and the first seven weeks that's increased to 21%. There's more to come both in product and in margin improvement. Betting and running in the first seven weeks is up 136% on last year. Again, I'm going to caveat and say to you this is only a short period and please don't project the numbers forward on the basis of seven weeks trading.

We're definitely in unusual times with an economic impact overlaid by a weather effect and also the initiatives we have undertaken a drive growth. We believe it demonstrates the benefits of having a balanced Retail and Online business.

We've talked a little bit more about regulation, but you know the picture well, we've talked about it often and let me tell you where we are in everything that is going on. There's a proposal on our Machines business that changed from VAT and AMLD to GPT on a revenue neutral basis. The consultation actually closed last October. Our revenue in neutral position is around 18% and we know that the Treasury are wrestling with the issue of establishing a tax neutral rate for the entire sector. It's quite possible that the status quo will remain or that no decision is made prior to a general election.

The next prevalent study is underway; the report is due in the autumn and we remain committed to assisting the Gambling Commission's Evidence-Based Research programme. We were also encouraged by Rick Parry's recent report to the Minister on integrity in sport. Breaches are rare and funding structures are clear. It's for the betting industry to fund the Gambling Commission and for sport to improve any improvements that they're required to make. Plans for dual licensing of offshore operators in the UK have been led by DCMS rather than HMRC. It's not particularly a big issue for us. There will be some regulatory cost implications, but we have systems in place and our standards are high and we're definitely going to contribute actively to the consultation process.

We've taken bets on the day of the General Election, there aren't many Thursdays left now. I think we can expect the Budget before it and a Budget after it. However is in [audio] if you read the papers, as they raise more tax. I have to say that the Government do understand that plans to raise more tax can be very counter-productive. Earlier this week in fact, the ABB had a meeting with Treasury Minister, Sarah McCartney-Fry, who are the [in-fight] of any changes in taxation of bricks and mortar businesses, were carefully and graphically explained.

I have to say that I've always had faith in the Treasury actually, because they're conversant with the sensitivities of the retail industry, they know this sector very well. I know it's sensitive to increased tax, but they know the consequential impact on employment. The result is, that well over a 1,000 betting shops, which means 5,000 jobs would be at risk across the industry; in the event, that's significantly additional tax [problem] were to be imposed. I have to say that Sarah McCartney-Fry, pay her the compliment, she does understand the sector and she does understand the sector circumstances.

You all know my personal views on betting exchanges and I don't intend to repeat them today. Tuesday of this week however, the BHA called for a review on the impact of exchanges on levy receipts; and William Hill support that review, which we believe should also encompass both tax and regulation.

Finally on the subject of regulation; let's talk about Europe. There's a lot of talk going on about France at the minute. Like court cases in France. France definitely isn't as sensible we might like. I suspect that that is the intention.

We see no problems with other countries talking of new regulations such as Italy, Spain and Denmark. The actual fact of the matter is, it's the punters who are voting with their mouse clicks, they don't like what they've been offered at home. You have to say, why should they be stopped from getting something better from across the border.

The outlook for 2010 and beyond. So where does that place us for the current year? Well trading is…trading continues to be challenging in this recession, but we have the World Cup coming up. There's been some economic weakness in Retail, but it's been offset by Machines. VAT is back to 17.5 and who knows, perhaps we'll see another rise in VAT.

The online story is one of revenue growth and the revenue growth from new products. We shall and reinvest sensibly some of that growth in Marketing and our International operation. But for me the big message is that we're on track to achieve the goals we set ourselves. Longer term we're building a William Hill that is more balanced between our UK retail business and a fast growing online business. We expect to grow the proportion of earnings we generate from overseas markets. We seek to be a leading global betting and gaming business. We are focussed on maintaining our leading position in the UK and enhancing our position as one of the top three Online operators in Europe.

That's the end of the presentation; Simon and I would be more than happy to take some questions from you.

Ivor Jones: Morning, thank you, it's Ivor Jones from Numis.

Ralph Topping: You might as well left that Ivor, I left it to a lady to decide and she walked past this guy to get to you. So this maintains the tradition of you asking the first question at every presentation.

Ivor Jones: I was just grasping more than…Simon, I'm glad you've enjoyed the questions [laughing] which encourages me to say, obviously I understood everything you said about the hedging, but for the benefit of other people in the room, might not have done [laughing]. Could you just summarise whether there is a cash-out. Did you say at the end of that, there was a cash outflow in relation to resolving the hedging position?

Simon Lane: What I said was there was an exceptional of 20 million in 2009, which is not cash and that will…based on the forward curve as it stands today, the cash element pertaining to that in effective hedging, would be about 12 million in 2010, 7 million in 2011 and a tiny bit in 2012; so that's how that runs off. If the forward curve stays as it is, that will be offset by a credit, an exceptional credit. So from a P&L perspective, there's no net charge. But from a cash perspective, you'll see those cash outflows.

So in terms of the total cash cost of interest, will be about 10%, like the P&L charge, if you include the ineffective piece as well.

Ivor Jones: So the exceptional credits are non cash?

Simon Lane: They're non cash, yes.

Ivor Jones: Okay, thank you. Couple of things in relation to Storm. Can you just talk about Storm versus not Storm, so we've got an idea of the effect of the full roll out? You mentioned you are going to stop at 6,300 machines. You've only talked about the Storm machines. When and why would you replace the whole estate with Storm?

Ralph Topping: Well we've got…first of all we've got a dual supplier and Stormer from Inspire and we've got Global Machines in the rest of the estate. Global have some plans to introduce a new type Cabinet and we're anxious that they develop that new type Cabinet and give it to us. But contractually we can't extend and place Storm into the rest of the estate either, because of the dual supply.

Last year we were seeing Storm Machines running some 4% ahead of the rest of the normal Cabinets, as we would call them. A bit early to say, because we're in the middle of a roll out, but be getting a kind of run rate of 8.5% at this point on our Machines. I think augers well for Storm this year.

Ivor Jones: But is all of that current, is all of that current uplift from Storm then?

Ralph Topping: No, not entirely, no.

Ivor Jones: Just on, Online. The huge growth in the first few weeks. Could you talk about it versus the fourth quarter of 09; or just give us a sense of how weak the first quarter of 09 was?

Ralph Topping: We said last year we were going to spend a lot of time in developing our In-play product and the timing of that, the development of that was sort of the last three weeks of December and into the first seven weeks of this year, where we're racking up the number of matches or events that you can bet on simultaneously. If you go to the web site on a Saturday, you'll see us covering something like 30-35 events currently. Plans to step that up in the next couple of weeks to about 50 events. That is driving a lot of growth and we're seeing the same kind of activity in mid week football. So we've invested a lot in our In-play trading team. The research and development team are particularly excited about…I think we've got a set of twins from Leeds University who are physic students who've been in helping us. I've not come across any kids like these guys before, but they've been helping us develop our algorithms under the watchful eye of Terry Patterson from Australia. So Terry and his team have done a great job in our In-play. Lots more to come from that activity and it's excited as I ever get about betting products.

Ivor Jones: The [rep] was up 22% quarter-on-quarter; was it up double-digits against the fourth quarter of last year?

Simon Lane: Yes, I mean we've seen the weekly run rate pick up substantially. I couldn't give you exact numbers but it's double-digit.

Ivor Jones: Sorry, double-digit versus fourth quarter 09, because you said one quarter 09?

Simon Lane: Certainly in February.

Ralph Topping: One of the key numbers which I didn't give you, was the slips were up 55% year-on-year and they're certainly up substantially quarter-on-quarter.

Ivor Jones: Just finally in Retail. Can you talk a bit about the effects of the competitive environment, smaller competitors shutting are they, does it matter what's happening in other people's machine estates, is that a competitive threat to you if other people get their machines better?

Ralph Topping: I think it would be…recognise like Coral are ahead of us in terms of their Machine performance. They're the competitor that we're trying to catch up on and we've set some very aggressive internal two year targets for our guys to catch up on the Coral performance. If you're saying should another unnamed company who reported last week install machines in their estate, would it have a detrimental effect on our business. I think you've got to take into account that my answer to that would be, I don't think so. I think what that unnamed organisation has to take into account, is that it will have an affect on their overall account of the business, which I'm not sure that you guys are taking fully into account when you're running your numbers. That's up to you.

Vaughan Nurse: Hi, it's Vaughan Nurse from Morgan Stanley. Can you give us an idea about how much of Online is from France and is there a plan B if you're not allowed Casinos there?

Ralph Topping: I'm not really going to talk specifically about countries and specifically about France, because there's so much activity going on there in terms of court case and whatever else. All I will say about the French, is what I said, I think they've got it wrong. I think they'll learn their lesson from the Italians who got it wrong in the first place and will have to correct it. What I'm hearing from other organisations is that they're definitely not going to go into France on the basis as proposed. We've yet to make up our mind on that. But there's nothing seductive about what they're offering at the moment. But I think they've got themselves in a [pickle] the French.

Vaughan Nurse: Is it over 10% of revenues…?

Ralph Topping: Obviously I'm not going to answer that. That definitely means I'm not going to answer it in broad Scots you know.

Vaughan Nurse: On the UK then, you talked about the secondary licensing, but you didn't mention any sort of tax implications for that?

Ralph Topping: I don't know what it's going to be, do you? Do you know what it's going to be, because I don't know what it's going to be? Until we go through the consultation I ain't got a clue what it's going to be. So once it's published we'll let you know.

Vaughan Nurse: On the unlevelled playing field that you mentioned. Some of the companies you mentioned are paying levy and GPT, whereas in your

Online business you're not; is it really an unlevelled playing field; they could argue that it's unlevelled.

Ralph Topping: Which companies did I mention?

Vaughan Nurse: Betting exchanges.

Ralph Topping: I never mentioned companies then did I, you're being naughty. If you're saying to me does a company like Bet Fair pay its fair amount of levy, I would say no, it doesn't. I would say to you horse racing has never been as popular in this country as a betting product, it's just that racing has not got a fair return on the levy from exchanges and that's all I'm going to say before I get into trouble with opinion shapers in this room.

Vaughan Nurse: A final one if I can then. You spent a lot of time on supports margins and on the margins in the Machines. Is there a risk that sort of focus on margins at some point, becomes a detriment to the stakes, because you've become uncompetitive; there is that sort of trade-off isn't there with value to the customer?

Ralph Topping: I think sometimes there could be, but we've always had a strong focus on margin. We've always had a strong focus on promoting our business. When you see the growth we've seen in the football business in particular, it hasn't been through a ruthless focus on margin, necessarily, it's been through promoting the business first and foremost and letting the sales come through and point us in that particular category, like betting accumulative bets. We're having a big focus later in March, in April, about the promotion of horse race betting and perhaps margins in greyhound race betting as well, which we feel there's room for some movement there. But again, we'll give you some more information on what we're doing there or might not have done, but considered doing and rejected late in the year when we have another [unclear], but I'm aware of that, I'm aware that we need to aggressively promote some parts of our business, particularly in a recession.

Vaughan Nurse: Great. Thank you.

Matthew Gerrard: Thanks. Matthew Gerrard, Investec. Just following on that issue in margins in the Online Sportsbook; how should we think about gross when margins in the Sportbook this year, assuming say normalised margins, given us the moving parts, the in-running offer, the self help you're doing?

Ralph Topping: I think we're in the 7% mark, you wouldn't be too far away there. In fact we're seeing a massive improvement in our margin In-play, from where we were a year ago, what's driving that? I think it's our research and development activity around algorithms and the way we trade now, is much more automated than it ever was. So we've taken the human factor out of it. So I'm pleased with the margin we're getting from our Bet and Play. I expect to see that increase as well, as we offer more and more markets; those markets actually drive up your margin. It's interesting where the margin is…if you had it around about 7% you wouldn't be too far away for this year, I don't think.

Matthew Gerrard: Secondly, on the World Cup comments you make in the statement this morning. It looks to me like, going back to what you said in 2006, you're assuming kind of 50% substitution in the retail?

Ralph Topping: We always do, because you never approve it. So it's just an assumption. It may be much less than that, but it's just a paper assumption we make. I actually think the World Cup this year being in South Africa, given the time zone, I think we'll see strong growth in the World Cup, four years ago, because you always do anyway. But where I expect to see most benefit from the World Cup is left against the football betting in the following season. All these players who end up getting transferred to English clubs, not Scottish clubs, but English clubs, playing in the Premiership for huge amounts of money, drives the interest in the Premiership, drives betting interest and so on. I'm looking forward to a good World Cup, but I'm not looking forward to a better domestic season after the World Cup.

Matthew Gerrard: You say, kind of 5-6 million was the impact of retail in 2006. Given where Online has been and come to now, what's the potential for the benefit in the Online Sportsbook?

Ralph Topping: I think the online. All I would say is in bland general terms only, we've a very good World Cup, I think bet and play will drive a lot of growth internally and growth in gross wins from four years ago. We're a much different business than we were four years ago Matt. I would be disappointed personally in the retail business, whether we see a double-digit 10 million if we're going to keep 10 million of benefit from the World Cup. I think it's going to be phenomenal interest in it. I really do hope England stay right through to the Final [laughing].

Matthew Gerrard: Okay, thank you.

Ian Rennardson: Thanks. It's Ian Rennardson Bank of America, Merrill Lynch. Just a couple of questions. On telephone, what is it about the high roller business that you don't like and maybe…

Ralph Topping: We lose [laughing]. We didn't say but we lost £5 million on Arab high roller and those figures were from last year. What is it we don't like about it? Well I was always told you should never build your house on sand and there's a hell of a lot of sand in Arabia.

Ian Rennardson: Thank you. A second one. In the online business, you mentioned 21 countries I think where you saw international expansion opportunities. Are you not spreading yourself a bit thin, or are there some places that you're particularly keen on?

Ralph Topping: Have you taken a look at my physique? We said, the model is go in there, put the Sportsbook in, localise it as much as you can, see where you get attraction and then fully localise it. It's a drop in a fishing pool and there's so many ponds and seeing which ones are worth investment, substantial investment. I think it's a sensible approach actually and we aren't spreading ourselves too thin.

Ian Rennardson: Thank you.

Simon Champion: Morning, it's Simon Champion from Deutsche Bank. Two questions, first one is; in terms of your 4% cost guidance for 2010 in retail; how much of that is due to the strong development programme in the shops and how much is actually like-for-like growth in terms of costs?

Ralph Topping: About 2% for the development Simon isn't it….

Simon Lane: It's about half and half. So 2% underlying.

Simon Champion: Secondly, in terms of your P&L interest, effective interest cost beyond 2010; you've talked about 10% effective interest rate in 2010 for your P&L, does that fade beyond 2010 if interest rates remain at the same rate or do they stay the same?

Simon Lane: It's broadly the same, that's based on, clearly the hedging starts running off in that year, but the forward curve shows base rates increasing. So based on the forward curve expectations, we're expecting marginally lower, but still between 9-10%.

Simon Champion: Just to clarify, so your cash interest costs come down post 2010 and your P&L interest cost guidance is effectively taking into account a forward curve rise?

Ralph Topping: Yes.

Nigel Parson: It's Nigel Parson from Evolution Securities. In terms of the online business, for the top management to earn potentially their huge bonuses, the rights issue prospectus says they've got to earn 150 million of operating profit by 2012; does that target still stand?

Ralph Topping: That target is being looked at, at the moment.

Nigel Parson: So that might come down or be extended further out, or both?

Ralph Topping: I think it may come down. One of the challenges we have got is to keep the management team focused and motivated and what we're looking at, in conjunction with our remuneration colleagues.

Nigel Parson: And if they get there or thereabouts, in terms of their performance, where might the tax charge go for the Group?

Ralph Topping: The guidance on tax is 24.5% for this year and similar for next year. I don't anticipate it going down materially in 2012 but as I've said before it will go down gradually as the international business grows and we can enjoy the [break] tax for non-UK customers.

Nigel Parson: Thank you. Just one final question: do you have exclusive supply of the slot machines and, if so, for how long?

Ralph Topping: No, we don't have exclusive supply of the slot machines. I think, going forward, the slot machines – we'd want to cover that one off, where we are in terms of supply.

Simon Lane: There are restrictions in terms of who takes Storm cabinets and in what guise; it's not just about a cabinet – there's software that goes behind it – so stuff that we initiate and we innovate we'll retain for perpetuity of the contract. Everything else that's generic other people can have. Does that answer your question?

Nigel Parson: Yes, thank you.

Ralph Topping: So you can have the cabinet and prepare your own software … question at the back?

Ed Burken: It's Ed Burken from Barclays Capital. Just a couple of questions please; firstly, the online, you're saying 2009 was about products and 2010 is marketing that – is that 25% of net revenue going to be something you're going to keep going forward or is it just going to be a big question and then it's going to go back to the 21%?

Ralph Topping: On the second point, the 25% - now that we have something worth marketing – putting a lot of marketing effort into upping our marketing to levels which are in line or slightly still behind what other competitors are doing and I think you have to bear in mind that market is our biggest cost practically, online, and the model is marketing-driven, so we want to ensure that we're spending in line with our competition and in line with the opportunities that we see before us. Do I see it coming back? No, I don't actually; I have never known in my life anything that goes up coming down – that defies the laws of physics, really, so it will remain about 25% and, who knows, we'll come back and say if we feel there's a justification, but we'll do what we think is best for the business in terms of marketing spend. Before you get any weird and whacky ideas of marketing spend, we have not been at any Park Avenue Agency and exchanged contracts with them and said 'there you are, guys; go and throw your boots at latte coffee this year, there's 40 million quid from William Hill for the grand campaign', because we spend as we go and a lot of it is driven by what we pay to our affiliates and the returns they give us.

So we are looking at TV campaigns; we are looking at promotion of the brand in certain key localities and that costs a wee bit more money, but we expect the investment we make to produce revenue and the beauty of it is, if it isn't a thorough commitment then you can pull back on it. The second and the last thing I would like to emphasize is that last year it was a good product; this year's a good product; next year's a good product and next year's a good product as well, so it's product and marketing which drive the online business.

Ed Burken: Final one: the minus 6% growth in the retail business – can you just give some indication of how that was split of the first 6 weeks? I see it was a lot worse in the first couple of weeks with the weather and given the easier comps has it returned to flat or positive?

Ralph Topping: In a nutshell it was bad in January and what you have to keep in mind here is that December was a hellish month as well, weather-wise, particularly in the run-up to what's normally a busy Christmas period for us, and the New Year period for racing, so it was almost a complete wipe-out on racing during mid-December right through January. The racing that was on offer was all-weather racing which is fine; it keeps the show on the road, but particularly on Saturday's we saw big national hunt meetings being abandoned, and that is where that minus 6% - on the Saturday business where you lost racing on the busiest day of the week, practically.

Ed Burken: Can you give any indication on the February run rates for stakes?

Ralph Topping: February is up, year-on-year, but it's got softer comps because of the cancellations last year.

Ed Burken: Thanks.

Question from the floor: Ralph, firstly, in terms of the online business growing very strongly, it's difficult to see what the underlying like-for-like consumer behaviour patterns are like; can you give us some sense of whether you think there's a slight cyclical improvement in behaviour by the consumer when things are a little better?

The second question is, just with regards to the regulatory risk, I guess the industry has been particularly bad in dealing with the risk of an increase in alcohol duty in the past, despite a similar risk to jobs; is it just superior lobbying that gives you the confidence that you will be able to avoid those risks?

Ralph Topping: There's nothing to compare ourselves to, but do we take lobbying seriously? Yes, we do. Do the individual companies put a lot into lobbying? Yes, they all do. Do we lobby strongly through the EVV? Yes. I think it's been a model that's worked effectively over the years. We do get to see ministers and shadow ministers, and we do get in to see civil servants regularly and they are receptive to the message that is being given to them and have proven that, I think, over the last two years. I don't think they've done anything particularly silly over the last two years because they recognise the damage that they could wreak; from time to time some of them do say stupid things and you just need to pick up the Evening Standard to see a minister in there who – I really do think ministers should be set intelligence tests before they become ministers – it would help them, actually, if I said 'you're 92 on the intelligence scale so please shut up in public' … (laughter) … I don't think they'll take up that suggestion.

As for the other question which was do I think the consumer online is changing; I think the consumer online is different from what I would call a working man in a retail shop and I think this recession started up by being very much a white collar recession. I think what we are seeing, especially in the retail environment, is that people have been a bit more careful with their money and worrying what's going to happen either mid-year or later in the year and that's driving some behavioural changes around pence per slip staking. I am not seeing that in online where the performance is robust. What we are doing, I think will, in term of product and in terms of more markets, we'll be reclaiming quite a bit of our market share that we lost in the wilderness years.

Nigel Hicks: Can I just ask on depreciation if you're going to step up Capex, the likely increase in depreciation this year, what your Capex thoughts initially are for '11 and depreciation?

Simon Lane: Capex, we're looking at about 60 million, and as Ralph and I have said, we are going to return to refurbishment activity that was deferred over the last couple of years, so 60 million of which 40-odd will be retail, similar digits for online and the rest will be I.T. and other. That would drive depreciation - group depreciation's about 37.5 million and I expect an extra couple of million possibly to come through from that Capex, so it will trickle up.

Nigel Hicks: Can I just ask as well, the profit per machine per week, you are saying you don't give, but [Apex] actually gave a number this time at long last, so if they continue, will you continue, because it is a number that obviously is computable.

Ralph Topping: If you kiss me, will I kiss you, is that what you are saying? (Laughter) … Okay, we'll kiss and we will continue to kiss. Why are you blushing?

Nigel Hicks: Can I just ask why Ian is massively underperforming Corals on machines?

Ralph Topping: You know, Ian stormed out of the room when you asked that question! I think there's a lot we have done to close the gap. I'm a fairly tough manager and I'm demanding that the gap is closed even further, and that we've given the guys a two-year timescale in which to do it. Am I confident they'll do it? Yes, I am. I think they'll do it.

Nigel Hicks: What do you think the difference is, though?

Ralph Topping: I can't tell you, because that other company that you report on might be listening in and they'll say 'oh, we never thought of that'.

Nigel Hicks: But is it machines-wise, or geographic, or just basic?

Ralph Topping: I think they had first run in the marketplace and built up quite a gap. I think that gap – we think – is closing. I think those figures are very encouraging for this year and we'll see if they report their figures later on if they kiss as well, but I think over the next three years we expect to see our business close on the Coral business.

Nigel Hicks: Finally, would you think that the weather effect has helped Online? Obviously it's partly people staying indoors, but maybe some of your retailers-

Ralph Topping: That's bollocks – just please don't go down that road – the real world doesn't even work that way. Sorry to be so diplomatic! Anybody else? No? Nobody at all? Okay, thank you very much, and I would like to pay my personal respects to Simon and wish him well in whatever he chooses to do. He's going away on an extended holiday. I would like to say it's been a pleasure working with him. Thank you very much, Simon.