

## Interim Results for half year ended 30<sup>th</sup> June 2008

**Ian Robinson** - *Ladbrokes plc – Chairman*

Good morning ladies and gentlemen. My name is Ian Robinson. I'd like to welcome you here on behalf of Ladbrokes for our interims presentation this morning. I wanted to start by introducing the team, who are all sat down in the front row here, you'll see them up here all at the Q&A session. So Chris Bell, well known, the Chief Executive; Brian Wallace, the Finance Director; Alan Ross way over there in charge of European retail; John O'Reilly next to him, looks after the eGaming; and the smiling face behind Alan Ross is Richard Ames, looks after UK retail. So they will be handling the Q&A session. The agenda is the same as normal, Brian will come up to the financials and then Chris will do the business, and the team will then take your questions.

So, three quick points from me before we get into the presentation. Firstly, I think we've got a decent set of results in the interesting times that we currently live in. Secondly, you'll hear all about the investments we're making the key areas of our business, which we believe will help the top line and help the bottom line. That's the really important part of our strategy as we travel forward. Thirdly, I'm pleased to say the dividend is going up 5% this time, which clearly is a sign of our confidence as we travel forward. So we'll get straight into the presentation; maybe I could I ask Brian to start us off.

**Brian Wallace** - *Ladbrokes plc - Finance Director*

Thanks Ian, good morning everyone here and for those of you on the Internet, I hope the technology's working well. Let me just go straight into the figures (NEW SLIDE); that's what I'm here to do. So you can see that the half year 2008 operating profit, excluding High Rollers activity, reduced by 2% to GBP130 million. Profit from High Rollers in the period was GBP40 million compared to the GBP60 million last year, to leave total operating profit before non-trading items down by 11.8% to GBP170 million.

The finance costs of GBP36 million have increased, mainly reflecting higher average net debt. You will recollect that we purchased Eastwoods earlier this year and, of course, we've been using cash on the share buyback program, which we initiated back in August 2007.

Just whilst on this point of debt, and particularly given the world that we live in, I thought it would be helpful to quickly talk about our own position. (NEW SLIDE) This slide shows the maturity profile of our debt, and I think the most important thing to say, and it's graphically obvious, there's no one high line. We've always worked to spread our maturities. During the period, I was delighted that we reached agreement to extend GBP400 million of committed bank facilities by two years to 2013. That's most of the grey box on the right. Additionally, we signed GBP125 million of new committed facilities. And to our bankers in the room, thank you for your continuing and very long support.

Following the repayment in July of the GBP175 million bond, we still have undrawn committed facilities of GBP433 million, which actually exceeds our next maturing debt of the EUR500 million bond, which is the 2009 red bar. And just say actually, that EUR500 million represents GBP378 million in sterling, as we swapped the bonds earlier on; good luck or good judgment, you take your pick. Our net debt to EBITDA target over the medium term remains unchanged at 3.5 to 3.75 times.

(NEW SLIDE) So returning to the performance summary and moving down, you can see the effective tax rate is at 19%, with the prior year at 16%, assisted by a one-off benefit from a reduction in UK corporate tax rates. For the full year, and indeed the foreseeable future, I would expect the tax rate to remain at 19%. As I always like to remind you at this stage, this tax advantage, which we have now successfully managed for 13 years, significantly improves our conversion of pretax profit into cash. Earnings per share is 18p and that 15.5% reduction is principally due to the lower High Rollers profit, the increase in the tax rate, offset partially by the reduced number of shares.

(NEW SLIDE) So let me now turn to the results by division. Excluding High Rollers, total gross win increased by 13% to GBP583 million. With the growth seen in retail estate and the eGaming, offset by a small decline in the telephone betting division. The decline on the right-hand side of the slide is operating profit of 2% is largely attributable to UK retail decline of 2.6%, which has, of course, been impacted by the additional costs of TurfTV content and extended evening open, which I'll come back to later. And just to remind you in passing that other line includes international development costs and our start-up in Spain.

(NEW SLIDE) So in UK retail, over the counter gross wins, the top line, you can see increased by 0.9% and machine gross win was up by a healthy 18.1%, giving a total gross win for the division of GBP394.3 million, an increase of 6.5%. As we expected, operating costs rose by 9.9% to GBP237.3 million but this does include the introduction of TurfTV and winter evening opening in the first three months of the year. Excluding those items, our underlying like-for-like operating costs increased by about 4%. The rise there, you'll see down near the bottom, in other costs is largely attributable to increases in machine transactions, the AMLD costs and depreciation.

So perhaps more importantly looking forward, what we see for the full year 2008 and despite the very significant cost pressures that surround all of us, is that we still expect UK retail cost growth to be no higher than the 4% underlying. And I think that's a great tribute to the team, assuming they get there.

(NEW SLIDE) Now, turning to UK retail KPIs. Whilst the first four months of the year saw a strong growth in football turnover and generally positive results at the major festivals, despite the Grand National result, poor sporting results in June meant margins were unusually low across all products, particularly on Euro 2008 and Ascot. Over the counter margin, in fact, you can see in the top line, declined for the six months from 17.5% to 16.7%. We've closed some shops during the period and like-for-like gross win increased by 6.6%. Like-for-like total costs increased by 4%, and I think an increase of just 1.6% in shop staff costs, thanks to real effort, better scheduling, all the things we've been talking about, again was particularly pleasing.

On machines, the average weekly gross win was GBP676, an increase of 18.2%, not a bad figure in these times. And that benefited from the completion of the rollout of our new dual screen machines at the end of March '07, additional opening hours, of course, in the first quarter and the addition of new content. And just to give you a sense for the rest of the year, what we're planning is for machine growth of 11%. We won't be right, but that's our target; let's see how we do.

(NEW SLIDE) So, let's have a look now at Ireland. Ireland, I think worth, just saying, is much more a significant territory than a few years ago. You can see we finished the period with a gross win increase of 45.1% and operating profits up by 24% from a shop estate that has increased to 282 shops from 206 at June '07. This increase in shops, of course, includes the acquisition of Eastwoods, which is performing absolutely in line with our expectations. Like-for-like gross wins we've popped on the slide, you can see at 1.7% [*Correction declined 4.4%*], really reflects the weak end to the half in terms of results.

(NEW SLIDE) Let me move now to eGaming. Net revenue increased by 19.4% to GBP86.6 million. Sportsbook net revenue rose by 18.5% to GBP32.1 million with gross win margin of 8.1%, 0.2 percentage points ahead of last year. Active customers have grown 23.4%, benefiting from targeted recruitment campaigns around major sporting events. The popularity of betting in play continues to increase and our new Sportsbook has a number of new features, including enhanced live sports streaming. Casino net revenue was up 19.8% to GBP26.6, with active customers increasing by over 62% on the back of successful television advertising campaigns. As anticipated yield fell due to the impact of our broader customer base and the free chip recruitment offer. Poker net revenue was GBP14.7 million, down some GBP1 million, with the continuing highly competitive environment affecting both player numbers and yield. Active customers fell 4.6% to 104,000 and yield per unique active player fell by 2% to GBP141. And Chris will comment more about poker later. Games revenue growth of 76% to GBP13.2 million was driven heavily by our bingo TV advertising, as well as other targeted promotions.

(NEW SLIDE) So what does all that do for results? Well, as we expected the overall eGaming profits of GBP26.2 million is in line with our expectations and indeed, last year. Operating costs of GBP55.5 million increased by 31.8%, with net revenue growth driving software costs, the increased staff costs that we need for the growing business and increased marketing costs now, as you can see, represent 21.8% of net revenue. Because of all of that, net revenue conversion was down, as we'd planned, from 36.3% to 30.3% reflecting that increased base of customer acquisition.

(NEW SLIDE) Just very briefly on the KPIs, unique active players, and it's obviously critical to us in our strategic thrust, active players increased by 22.7% to 541,000 with double-digit growth in Sportsbook, in casino and in games, more than offsetting a 5% decline in poker. Overall, real money signups, where our a new player has both being recruited and deposited funds were up by over 30%.

(NEW SLIDE) So touching on telephone betting. Telephone betting net revenue, excluding High Rollers was GBP15.5 million, down by GBP0.8 million. Operating costs increased by 4.8%, due partly to a transitional increase in establishment costs following the disposal of Vernons and also investment to deliver future efficiencies. Operating profit in the half was GBP2.2 million, down from the GBP3.3 million in the previous period.

(NEW SLIDE) KPI for phones and, again, excluding High Rollers, our call volumes decreased by 11.8%. However, these volumes were well managed and agent cost per call decreased by 1.6% to 62p, favorably impacted by efficiencies. Gross win margins were 8.4%, up by 1%, reflecting the active customer management through the period. Average monthly active players declined by 8.9%.

(NEW SLIDE) Let me give you a snapshot now of CapEx. So during the period, GBP15.3 million was spent on UK retail, well down on 2007, as we have been saying to you over several months. GBP5.2 million funded Irish development activity plus GBP4.2 million we've spent so far on the rollouts of our new Italian shops. The GBP2.5 million spent in eGaming and telephone, as usual, is predominantly in software and technology. So that's the position, but what about the full year? Let me give you some thoughts for that. For the full year 2008, we expect UK retail CapEx of approximately GBP35 million, Italian refit CapEx about GBP16 million, remote and telephone CapEx, normal sort of level about GBP7 million and other retail about GBP7 million as well.

On top of that, we've got the GBP118.1 million that you know about that we spent on Eastwoods, which completed earlier this year, and a further GBP24.3 million on other acquisitions and license payments including GBP14.4 million in Italy and GBP9.9 million on new licenses in Madrid. Now if you've managed to keep up with all of that, you've done well and the answer to 2008 is somewhere around about BP210 million, assuming my math is still sound. If it's not I'm in serious trouble.

(NEW SLIDE) Right, finally from me cash flow, you can see here the cash flow generated by operations of GBP208 million and after paying interest and tax of GBP74 million and capital spend of GBP170.8 million, the cash outflow was GBP36.8 million. One thing you will notice in the detail is that tax paid in the first half was substantially higher. But let me just say, this is purely a timing difference and full year cash tax will be the same plus or minus as the P&L rate, so purely phasing. Dividends paid for GBP54.4 million and the share buyback programs cost GBP34.8 million, which led to the half year net debt of BP1.039 billion. Let me, in closing, just mention the interim dividend. As Ian mentioned earlier, a 5% increase reflects primarily our overall beliefs in the business. And underpinning that to some extent, the reality that we're consciously investing this year for future growth in areas such as Italy and eGaming, which we've set out. So for more about the future, let me pass over to Chris.

**Chris Bell - Ladbrokes plc – CEO**

(NEW SLIDE) Thank you. Good morning to you all yet again, thanks for taking the time to be here today. I know it's a busy reporting period and again, day, so thanks for taking the time. As Ian said earlier, the chaps will come up and join me shortly and we'll attempt to answer any questions you might have.

The first half of 2008 was not without its challenges as we all well know, but overall, I'm very pleased with how Ladbrokes has performed. What I'd like to do is take you through each of the businesses, highlighting the various initiatives that we've taken and are about to take to drive the company forwards.

(NEW SLIDE) I'll begin with the UK shop business and what's been driving our performance this year. As you well know, back in September, the Gambling Act came into force, which extended evening opening hours. And we've implemented this across most of our shops with 80% open until 9.30 and 15% until 10.00 pm. The uplift in trading this first three months of the year on both machines and over the counter more than covered the additional costs. From experience of Sunday opening, and indeed, summer evening opening, we expect there to be further upside from winter evening opening. Customers have yet to get used to us being open and it will take a couple of years for them to get entirely used to it.

Another benefit of the Gambling Act, has been the introduction of B2 and B3 content, that is, GBP500 jackpots for GBP1 stakes, alongside such games as blackjack and poker. This, combined with a superior and more reliable machine estate and extended evening opening hours, generated machine at gross win growth of 18.1%.

Shop gross win growth rate slowed in May and June as evening opening hours and machine performance became like-for-like, somewhat compounded by disappointing horse racing and sporting results in June.

(NEW SLIDE) Although the GBP30 million worth of turnover generated by our UK shops from the Euro 2008 football tournament exceeded our own expectations without, of course, as we know a single home nation team present but plenty of household name premiership players, the margin fell dramatically short of that experienced in 2004, when the 100/1 outsiders, Greece, won the tournament.

Royal Ascot, our biggest flat racing festival of the year, also disappointed, with a margin of 10% compared to 28% in 2007. But results are results and the last two months of the half were a stark contrast to the first four, but that's bookmaking. Importantly, based on our like-for-like UK shop numbers,

over the counter business increased in the first half by 1.1%, giving a total like-for-like gross win growth of 6.5%.

(NEW SLIDE) Richard's team continue to work very hard to drive gross win growth, and following a year of planning and testing, we launched an industry first, our in-shop loyalty and reward scheme, OddsOn! which gives customers the opportunity to accumulate points for money state and then exchange these points for an array of benefits that we can tailor to increase customer loyalty and, of course, satisfaction. We're very pleased with the initial response with more than 400,000 customers activating their cards and providing us with either their e-mail or SMS details. Our customers have already redeemed points worth more than GBP1 million in free bets and bonuses. And although of course it's very early days, we're delighted with the response. The major benefits to OddsOn! will come over the next few years, as we gather a better understanding of our shop customers' behavior and, of course, their needs. We estimate that our technology advantage should give us a further lead over our major competitors.

With all day opening throughout the year, the events available for our customers to bet on are critical to their continued satisfaction and loyalty. To this end, we've just made available our Ladbrokes.com web content to each of our 7,000 point of sale terminals, enabling our shop colleagues to offer an increasing number of betting opportunities to our customers.

On a negative note, the competitive necessity of introducing TurfTV at an annual incremental cost of GBP10 million has had a detrimental effect on the presentation of horse racing and greyhound racing in our shops. But being able to use Ladbrokes Extra has mitigated some of this, but the amalgamation of two disparate services remains less than satisfactory. The High Court ruling will be published tomorrow at 10.00 am. As Chairman of the Bookmakers' Committee, I'm sure that the Committee will make a recommendation in September of this year for the 48th levy scheme, which will start in April 2009. If agreement can be reached, both industries can start working harder together to build a UK horse racing's betting relevance.

As well as live horse and sports content, what we make available in our four machines per shop is just as important these days to today's betting shop customer, with less time, demanding quicker technology base betting options. I'm pleased to say that our machine estate has and continues to perform very well. We've executed a rolling innovation program, and a good example of this is the introduction of Rainbow Riches, a GBP500 payout jackpot game launched just a few weeks ago, and which has quickly reached 6% of our weekly machine gross win. This shows how vital flexible, reliable technology is in this fast changing area of our retail business, where instant download of product and game development is key to generating future growth. With regard to regulation of machines, the Gambling Commission are committed to report next summer 2009 on their research review of high staking and payout machines. They will complete their payout and stake levels on B3 and B4 content this summer.

(NEW SLIDE) Let me now turn to Ireland, where gross win increased by 45%. During the period, we capitalized upon our market leading position, and in February, concluded the purchase of the 54 Eastwood shops in Northern Ireland, being joined in April by an additional six shop acquisition. All of the shops are now branded Ladbrokes and we're half way through installing our B2 machines with dual screens. With an additional seven shops acquired in the Republic of Ireland, this brings our total number of shops in Ireland in total to 282. We're hopeful that the Northern Ireland Executive may allow Sunday opening in the future, and in the Republic of Ireland we continue to discuss with the regulators the introduction of B2 machines into betting shops.

(NEW SLIDE) In Italy, we've established a quality shop estate. We purchased a further eight shops earlier this year, and we now have 25 open and trading. They are performing broadly in line with our expectations. The rollout of our Bersani shop and corner licenses is behind schedule, and the team are working hard to have all of the licenses open from which we can start to build upon the solid foundations that we've established. We now have 39 corners and 19 Bersani shops open and trading. We've secured locations for a further 39 shops, and all the remaining corners and expect the openings to accelerate in the coming weeks. We expect our Italian business to make a profit during 2009.

(NEW SLIDE) Staying in Europe but moving to Spain, Sportium, our joint venture with Cirsa, finally received its operating license in April. In the last 12 weeks, we've opened 18 betting outlets within Cirsa owned and operated premises, plus third party locations, and by the year end we intend to have in excess of 60 locations open throughout Madrid. Obviously, the key to maximizing the full potential of our joint venture in Spain is dependent upon the pace of regulation in the 15 remaining regions. Andalusia, Catalonia and Valencia are the next biggest, and we hope that regulation will be forthcoming by the end of next year. This would put us on a solid footing to maximize the huge potential in this virgin betting territory.

(NEW SLIDE) Our international development team continue to examine new opportunities in Vietnam and India. In China, we continue to work with our partners on virtual game development for the China

sports lottery, and we're hopefully that the approval from the Ministry of Finance will be given for the first game in the coming months. Back in the UK, and in the traditional area of telephone betting, the year so far has been tough. Whilst our telephone betting business has benefited again from High Rollers earlier in the year, our core callcenter telephone business has declined, mainly due to heavy price competition from both online and telephone operators. The vast majority of these are outside of the UK, and not paying betting duty or horse racing levy. This makes the competitive landscape extremely difficult, and we continue to fight hard for every pound that we can.

(NEW SLIDE) Now from the traditional to the new, and I'm delighted to report that our eGaming business continues to progress very well. Our strategy to accelerate the rate of growth is on track. As you're aware, with a strong management team, flexible systems and the experience of the success of TV advertising, we decided to push ahead and accelerate the growth of our net gaming revenues. We've seen a 19.4% increase in the last six months, and a 30.2% increase in the number of customer signups.

To remind you of the areas we targeted, they are as follows. Firstly, our TV advertising campaigns in the UK, where we've been running our bingo advertising campaign since March of this year. Then, the first of our innovative quench your thrill buds ads featuring a daredevil rock climber promoting Ladbrokescasino.com. Both of these campaigns have worked well.

(NEW SLIDE) Secondly, we've increased our marketing and promotional investment in the Nordic region. We wanted to further support the Ladbrokes brand and improve the product offering across the region. During the last few months, we've launched new TV and press advertising to increase brand awareness in Scandinavia, and at the same time, we've improved the relevance and focused the content of our website.

Thirdly, we've improved our betting in play offering on the Sportsbook. And as Brian has already demonstrated, we're witnessing very good growth in sports across the board.

We've increased the use of poker affiliates, but this has not yet solved our liquidity issue, which has led us to review joining a poker network with the intention of providing greater liquidity for our players. I'm delighted that only this week, we reached agreement with the Microgaming network and we will be live early in 2009, giving increased player numbers and a lower operational cost.

In addition to the growth strategies I've just reviewed, the gaming team have been working hard on a number of further initiatives. These include the recent launch of an improved UK version of our Sportsbook, and new product developments such as Tomb Raider branded slot games. In the next few months, we'll be adding live streaming of various sporting events, which include such things as Serie A, La Liga, Asian football, UEFA Cup, as well as tennis, basketball, volleyball, darts and snooker. This means there will be over 3,000 matches and sporting events being made available to our UK, Irish and Nordic Sportsbook customers. This will greatly enhance the number of betting in play opportunities. We'll continue to build on these early successes and we retain our full year guidance as a profit for eGaming at the same level in 2008 as in 2007, with a target of reaching GBP80 million to GBP90 million of EBIT by 2010.

(NEW SLIDE) Ladbrokes has performed well and solidly in the first half of 2008, against what is acknowledged to be a challenging economic backdrop. I am pleased with how Ladbrokes has performed and the resilience it has shown, in what is an increasingly competitive environment for the gambling leisure pound. Our UK shop business increased its gross win with 1% less shops. Our new machine estate has prospered. We've taken big steps in Ireland, acquiring 67 shops, and we're now the largest operator in both the North and the Republic. As planned, our eGaming business has executed its strategy of investment in new customer acquisition, and we're very pleased with the response to these initiatives. Our drive to diversify the Group has continued during this period. In Italy, we now have 44 shops and 39 corners trading, and the team are working very hard to have all of the licenses open, whilst in Spain, Sportium has now been awarded its operating license in Madrid and has subsequently opened 18 betting outlets. We expect to have 60 open by the end of this year and eagerly await regulation in other major regions. Finally, let me update you on current trading for the period from July 1 to August 5. Ladbrokes saw gross win increase by 11%, with no benefit from High Rollers, and UK shops increased by 8% [correction 6%]. Ladbrokes is in good shape.

## Q&A

**Chris Bell** - *Ladbrokes plc* - CEO

Thank you. We'll take your questions now.

**Ivor Jones** - *Evolution Securities* - Analyst

Thank you, good morning. Ivor Jones from Evolution. I haven't found the numbers yet, but you said you closed 1% of the shops in the UK estate. **Then why did they close and are there many more to be taken out? Is that part of an ongoing process?**

**Chris Bell** - *Ladbrokes plc - CEO*

I'll let Richard answer the detail, but to answer your last point, yes, it is part of an ongoing process that any large retailer would have, but Richard, the detail.

**Richard Ames** - *Ladbrokes plc - MD UK Retail*

Hi. The 26 shops that we talked about last time we were here and it's housekeeping as we described it last time round.

**Ivor Jones** - *Evolution Securities - Analyst*

But from what Chris said, **there's another 26 of net reduction in the second half?**

**Richard Ames** - *Ladbrokes plc - MD UK Retail*

No, I wouldn't be specific about it. We constantly review the estate and local markets (inaudible) shift and improve the decline and we just monitor the estate on an ongoing basis.

**Ivor Jones** - *Evolution Securities - Analyst*

Okay. **And now that Ladbrokes Extra is fully bedded in, can you talk about its costs and its revenue contribution? How has that worked out as a project?**

**Chris Bell** - *Ladbrokes plc - CEO*

As we said before, we're very pleased with it. Ladbrokes Extra is more screens and more bandwidth and it's lent itself very well to mixing these two disparate services that we have for SIS and TurfTV and it gives us that level of flexibility. So it worked as a project, but we don't strip it out to analyze it and say, how does that screen do against that screen. We've been delighted with that [activity].

**Ivor Jones** - *Evolution Securities - Analyst*

But in the over the counter business you've reported in the first half, the benefits of Ladbrokes Extra being fully extracted. **There's no extra benefit to come from more French Tote content or a different way of using it still to drive the business?**

**Richard Ames** - *Ladbrokes plc - MD UK Retail*

It's just all part of what we do in the retail business day-in, day-out.

**Ivor Jones** - *Evolution Securities - Analyst*

Okay, and last one if I may, **can you just explain the accounting for the loyalty program? You said you'd already given GBP1 million of bonuses paid back to consumers, does that mean there's a sink of additional bonuses to be paid back? And how is it going to wash out when it's at maturity when you have the full number of people you're [hoping for]?**

**Brian Wallace** - *Ladbrokes plc - Finance Director*

I think the accounting will just follow the same as any loyalty program. Obviously, when I was at Hilton, we'd an extremely large loyalty program of 13 million members. There is a cost to administer it first of all, which is absorbed within the cost line, and when we said that we are reiterating our guidance of 4% underlying, that's all in there. So the administration costs, which are frankly not enormous are there. The free bets come out just under gross win, between gross win and net gaming revenue. So if you like we get the benefit in gross win and then the costs of the free bets goes on the offset. So in the end, clearly what we're planning, is that the extra gross win more than pays for the cost of the program.

**Ivor Jones** - *Evolution Securities - Analyst*

And in terms of timing, should I be concerned there's a pot of free bets building up to be redeemed later?

**Brian Wallace** - *Ladbrokes plc - Finance Director*

No, no.

**Ivor Jones** - *Evolution Securities - Analyst*

Okay. Great, thank you.

**Andrew Lee** - *Dresdner Kleinwort - Analyst*

Morning, Andrew Lee from Dresdner Kleinwort. Three questions if I can. Just helping us to look at retail profits for the full year and then the next, assuming a normalized margin, which I know is not necessarily easy to do, **what kind of split would you expect in UK retail EBIT H1 H2? And would you say the H1 this year was normal or favorable or unfavorable?** Secondly, in terms of the poker software costs, **you say**

they'll be going down, is it a material number? Any chance you could give us a view on that? And then, finally, the last week of trading up to August 5, particularly relevant to what William Hill said last week, are we talking about high double-digit gross win like-for-like growth in the last week just to give us help on that?

**Chris Bell** - *Ladbrokes plc - CEO*

Let me do it in reverse. I'd be the first to say don't let's start trying to run the business on what happened last Saturday. We had the benefit of one more week than William Hill. I'm sure their figures would have been better if they'd had had another week. The Saturday of Goodwood, let's get into micro was stonking as we call it in bookmaking language, however -- you can see we're a sophisticated bunch. However, whichever way you look at it, 11% doesn't make a year, but I'd sooner have 11% than nothing and it just shows I think how the business is performing at the start of the second half. It gives you some indication about how it performs against this economic gloom that we wake up to every morning. I'll now take your other two. John will do poker first, then Brian will answer your first question on retail profit split.

**John O'Reilly** - *Ladbrokes plc - MD Remote Betting & Gaming*

A bit bound by confidentiality inevitably, but there are some technology savings and there are some development savings that will accrue. But the principal logic is not about saving, it's about driving revenue. And the deal that we've done with Microgaming enables us to merge liquidity on tournaments and on some of the higher blind cash games, where we don't have enough liquidity to service our players currently. So we think the key thing is to drive revenue, rather than saving cost, but there are some cost savings.

**Brian Wallace** - *Ladbrokes plc - Finance Director*

Looking forward on retail, I can't go too much into half one, half twos. But I think the important things are retail at the end of the day just looking at the numbers, it's over the counter, it's machines and it's cost. So we've given you pretty clear guidance on where we see the costs going. And I think looking into next year, it is difficult and I'm not underestimating that, but I think Richard would reconfirm that we'd be trying to keep the costs of around the 4% level. And in a way life is easier because we don't have evening opening, it's more a like-for-like period. So I think the cost guidance is pretty clear. We chose to give you, in the presentation I just did, how we see machines developing the second half and came up with a number of 11%. Some may feel that's quite punchy, but that's sharing with you what we're attempting to do. On the over the counter, and looking now into 2009, it seems to me we will drive the business and have targets for growth that we all share and buy into. I think what's going to develop here in the market is that you're going to start forming your own views as to what gross win development may be in 2009, and I've seen some reports already which are downgrading. I think at a time like this, that's absolutely fine. We will run the business and optimize the performance. You out there have to have your own view on that.

**Andrew Lee** - *Dresdner Kleinwort - Analyst*

Sorry, just a follow-on on the online side, John. Getting to the GBP80 million to GBP90 million target in 2010, what's going to be the expected shape of that in the two years in between, so from '08 to 2010, i.e., are you going to be spending a lot in next year and then it all feeds through in 2010, or is it a little bit more --?

**John O'Reilly** - *Ladbrokes plc - MD Remote Betting & Gaming*

I know we're going to drive forward in the second half of this year with a whole bunch of acquisition programs, and so we've given you a pretty good clear view about where we're going to end up this year. We will continue that program through next year, growing through organic growth principally by I guess driving product pretty hard in our existing markets and adding new markets. We're on track.

**Brian Wallace** - *Ladbrokes plc - Finance Director*

I was just going to add, I think numerically, we'd like to see a bit of progress next year, but it's going to be low six rather than high seven, and then building up for the following year is the profile that we currently have. I don't mean six absolutely, but anyway.

**Simon Larkin** - *ABN Amro - Analyst*

Good morning it's Simon Larkin from ABN. A question on working capital. **Can you just remind me where we're up to with the cash outflow from last year on the debtor side from the High Rollers?** I think from the accounts I've just seen, it looks like you've got GBP25 million back in the first half. **Can you just update us where we are with that and what you expect working capital to be for the full year?**

**Brian Wallace** - *Ladbrokes plc - Finance Director*

Yes you're absolutely right and well spotted. Within the numbers that you're looking at, at the June position there are certain balances left in connection with receivables from our High Roller business and indeed some provisions against that. And frankly this is just the unwinding of all the activity we had up

until earlier this year. Some of that may well come back in the second half, but I'm not going to speculate about how much or when.

**Simon Champion** - *Deutsche Bank - Analyst*

Good morning it's Simon Champion from Deutsche Bank, three questions. Firstly, **when would you expect to start actively using the data that you're getting from the OddsOn! loyalty card program?** Second question is, **Partygaming have been very positive about the opening up of the French gaming market. Do you share that optimism that there's potential there for you in the next couple of years?** And the third question is, in terms of **telephone betting, do you think in two or three years' time it will still be profitable?**

**Chris Bell** - *Ladbrokes plc - CEO*

I'll ask John to ask the telephone and the Party/French question, and Richard will inform you of our plans of how we might use the data from OddsOn!

**John O'Reilly** - *Ladbrokes plc - MD Remote Betting & Gaming*

France first of all. Yes an important market potentially, a very important market, but difficult to speculate without knowing what the legislation is going to be, what the regulation's going to be and more importantly what the tax rate's going to be. So it's difficult to forecast right now. But the fact that it's moving towards opening up the market has to be deemed as positive. Telephone betting. It's pretty tough; as Chris mentioned earlier, the tax advantage of operators based out with the UK is a big advantage. We've just got to scrap for every pound. What do I think will happen over time? We will manage the cost base very, very tightly and will continue to give the very best service than eking out every last pound of revenue.

**Richard Ames** - *Ladbrokes plc - MD UK Retail*

OddsOn! We're eight weeks in and our focus has been very much on launching the program and focusing on it operationally and inviting customers to come and join in. So we're not in a position to share any sort of detail on it. However the long-term goal is about learning customer behavior. It will give us the opportunity to move away from analyzing bets to becoming insightful about customers and their behavior and what they need and what they want. And so in the long run that's where our focus will be.

**Chris Bell** - *Ladbrokes plc - CEO*

Any more? Well I'll call it a day at that. Thank you for taking the time and see you in February.