



IMS conference Call – 16th May 2008

Christopher Bell

Good morning to you all. I thought just before we get into Q and A, which we'll get to very quickly, I'd just give you an overview of the figures that you've no doubt had a chance to see in the trading statement. Obviously we've had a good start to 2008. Gross win performance across all businesses excluding high rollers is up 16%.

In the UK we're particularly pleased with football and machine performance. Costs are within our expectations, up 12% in this period, but that's due to the incremental first quarter of evening opening, and of course the costs of TV, but our full year guidance remains at 8%, 4% on a like for like basis.

In Ireland following the purchase of Eastwoods, the 54 shops, they're all re-branded; they're doing particularly well. Since then we've bought another 13 in both the Republic and in Northern Ireland, and it's performing in line with expectations, so we're very pleased with that.

In Italy we're doing well. Huge amounts of activity, but behind our opening schedule. I don't think we're on our own in this; there is no particular issue here, because location is prime, and it's just a little bit more bureaucratic in Italy than maybe we expected, and we'll move into profitability in 2009.

In gaming, all going well bar poker which has its own difficulties. That is a challenge for us. Everything else is performing well. We've upped the pressure on the accelerator, as you know is part of our plan to grow gaming revenues this year by 20%, and we'd just remind you that we've guidance that profit this year will be the same as last as we go into this more aggressive market, particularly in the Nordic region, and no doubt you've had the chance to see the new casino.com ads and the bingo.com ads, which have started well.

In Spain, at long last we got our licence in Madrid. We opened our first shop opposite the Bernabau Stadium on 7th May, took our first bet at 2.50pm which was a £10 football accumulator and using bookmaking parlance we did our brains, because it is opposite the Bernabau Real Madrid beat Barca 4-1 that evening, but they were queuing out of the doors.

So, across the piece, so far so good. As the phrase goes, a swallow doesn't make a summer, we've a long way to go yet, but I'd sooner have what we've got in the bank. We're bound to have some run of poor results, because that's what bookmakers do, but so far, so good. I'll now open it to questions if I may.

Questions and Answers

Ian Rennardson – Merrill Lynch, London

Morning. Hi, hi. Just a couple of questions. One, on the winter opening hours. Is the benefit of longer hours offsetting the costs? Did it wash its face? And two, another good performance on the machines on Win per Week. Where do you see that going as the year progresses? Thanks.

Answer to the first one is yes; it is washing its face, and that's the new opening during winter. It will take some time. We've always said it would take some time to build. As far as the machines go, we've just gone like on like. At some point you're not going to get literally the new estate of machine level growth, but I don't think either it will go back to flat; in a sense far from it.

Okay, that's useful. Thanks

Nick Thomas –ABN Amro, London

Yes, good morning. It's Nick Thomas at ABN Amro. The growth in the internet business looked particularly strong at the revenue level. Can you just describe as to whether or not that is better than you would perhaps have been expecting, back in February when you gave some guidance in that business, and if it is, is the implication from that that you would be looking to reinvest the extra profit ahead of your expectations into marketing to keep driving that top line harder still?

Yes, I mean I think we're pleased with the first four months on the top line of egaming, and you're absolutely right, but for the expense - we get early success if you like, on that top line, we will reinvest that into more targeted selective marketing to grow the customer base. And that's why in the end of that paragraph we say profitability will be the same as 2007. So, it's repeating the guidance we gave back in February; we had a very good start to the year, and if we can put a bit more into marketing, always obviously being careful the marketing is producing for us, we will.

Thanks very much.

Julian Easthope – Lehman Brothers, London

Good morning, everyone. Just a quick one on the debts renegotiation. What are you going to do with the 175 million bond that's coming up for repayment?

You'll see that we mentioned that we've got undrawn committed bank facilities of just under five hundred million, the bond that's coming is for £175, so we can easily refinance out of the headroom, that we've always been very careful to have over the years. So, we're in a fortunate position that the way we've approached this for about the last decade of having significant headroom at a time like this is very helpful indeed. At the same time, and at the right time, we might go out and get some new facilities, but no pressure on that at all.

And are these at the same sort of rate? The 7.25%.

The facilities we've got are in that range, yes.

Brilliant. Thanks a lot.

Vaughan Lewis – Morgan Stanley, London

Hi, there. Just following on from the financing facilities there. You mentioned the buy backs you've done today. Are there any plans to do any more, now that you've got a good trading period out of the way? And then secondly, on Ian's question on the extra hours, I think last winter you mentioned that some of them were profitable, and some of them weren't, so will you be rationalising next winter, and maybe not using all of the hours, and closing at some time?

I'll answer the first one. On the buy back, we've given where we are here to date. The guidance on that really is unchanged, which is that, in the medium term, which is what we've always said, we'll aim to get 3.5 to 3.75x target. How we get there will just be a function of events - clearly over time we have acquisition possibilities, small infills. So, no change, except to say that, obviously the world has some liquidity issues, and debt markets, so I think our owners, our shareholders, actually are more concerned about headroom facilities, which I've just addressed. So, we'll balance those going forward, but the medium term targets are unchanged. And on the second one, Vaughan, no, I think is the simple answer; we've got 95% of the estate open, largely that's what we expect to have open. Our view has always been, and from our experience of summer evening opening, and Sundays over the last decade and a bit, it takes time to build because people have to recognise that you're open, and we're pretty pleased with what we've had so far.

Great, thanks.

Mark Reed – Landsbanki, London

Good morning. Two from me, please. Firstly, can you give us any update on turf tv litigation, and secondly whether you're aware that the gambling commission actually started doing any work, yet on this machine review?

Let me do them in reverse order. The gambling commission is scoping the work they're doing. The all party betting and gaming group of MPs and Lords and Baronesses are also reviewing. I think they're due to report quite soon. So, it is in train, and we'll see what comes out, but as always we remain confident that the facts speak for themselves, following two prevalent studies, but that's an update on that work.

As far as the litigation brought by Bookmakers and BAGS against Amrac, which is that they are a cartel who price fix, then that case is halfway through. I think it would be worthwhile just pointing out, because some comments have appeared this week, to remind you that this is a civil action, it is not a criminal action. People will not go to jail, of whichever side, and if that were true, it would be the other side, anyway. And secondly, I'd just point out that because of that it is extremely unlikely, I wouldn't say impossible, but extremely unlikely, nay impossible that the OFT would be in any way interested in this because it's about price; that type of investigation is about the consumer being disadvantaged in price. That can only be the other way round. So the case is halfway

through; I don't think it's right I comment on what's happening, but I think it is just worthwhile pointing out a few inaccuracies that have been floating around this week.

As a slight follow up, could you just say do you have a party working group, talking about future funding of horseracing in more general terms? How are talks progressing there?

Well, the levy board which I sit on has taken over the administration and work rate for the all party rating and bloodstock group, which is a different group to the all party betting and gaming group, who are looking at machines and the tote. That work progresses, if they had their first report on the 6th May; they will get another one in June, before recess. It will take some time, because it's complex, but the work is underway, and everybody is trying very hard to find a sensible commercial solution.

Thank you.

Pleasure, thanks.

Andy Lee – DK, London

Morning. Two questions if I can. In terms of the online growth, is the UK growing in line with that 24%, or is it actually faster than the average? And secondly, in terms of poker, clearly the issues you have are presumably a function of your relative lack of liquidity, is it time to join a more liquid network like Playtech, and if not, why not?

Let me deal with the liquidity issue on poker first. We're looking at that right now. I'm sure we will have to take some action, because poker is difficult to be quite frank. So we will be doing something, I'm not going to comment on what, because I think that's of our own internal makings, and we'll let you know as and when we decide whichever point of action it is. Brian will probably remember what your first question was, I can't remember.

Well, I mean I haven't got the figures here, but I would think UK might be slightly higher, but nothing dramatic.

Ian Rennardson – Merrill Lynch, London

Hi guys, again. Just on the overseas expansion that, you know, Italy is sort of getting there, Spain is sort of getting there, what's the next focus?

We need another country to re-regulate like Italy, to be quite frank. You know actually Italy was some years ago now, with the Basani decree review. There are a few that might, you know you need to see them, and if you looked at France as an example, which to be honest, I don't think will re-regulate, I think they're just posturing. But if they did and changed it so that what is now an indigenous monopoly could allow people to go into countries like that, we would look, well, we have looked, and we would look hard at. But I think, until there is re-regulation, but more importantly, we have plenty to do in Italy and Spain.

And what about the stuff in the Far East? The China stuff, and Vietnam?

That goes well, but it is complex in Asia, and it is one of those where, you know, we haven't put capital in, we've got a relatively low level of human expenditure, and if we get one then it would be quite changing for us, but you just have to wait. You know, Vietnam, the tender is still not out; I gather they're writing the law, but, you know, that's a year behind, but there's little you can do about that. China, I'm sure, will regulate over the next year to two years, but nothing is going to happen this side of the Olympics, and then we'll have to see what it looks like. I think there's value in Spain. I mean, yes, Madrid's done, and the Basque have gone their route. Yeah, we do need the rest of Spain to follow quickly, to get critical scale on that.

Okay, that's useful. Thank you.

Nigel Hicks – Liberum, London

Morning, chaps. Just a couple of questions. I just wondered, on Euro 2008 whether you're making any major initiatives to try and get some sort of upside potential, and whether the last couple of weeks of, you know, the end of the football season whether that's been beneficial, neutral, or otherwise. And also, the last four months of '07 were pretty strong, obviously you'll hit a tougher comp from September, I just wondered whether that's quite a barrier to get over. Whether you're looking at the tote at all, in terms of either parcels or aiming for parcels to come through, and whether you can do make any comments on high rollers, exactly what's been happening, and how recently the activity slowed, and whether it's either now neutral or negative, or whatever?

I'll try and remember all of those. I think I've got five questions in there. The tote, yes, we're looking at bits. We'll see, I mean you need the Memorandum of Sale, but yes, we will. In terms of Euro, I don't think it will be quite as low key as some people think it is; it will not be the same as if we had a home nation team in there, but a lot of these countries have premier league footballers in them. So Euro will be interesting. Football finished, as we'd expect largely as the season winds down, even with the Champions League final next week, and then Euro's starting in four weeks time, about four weeks tomorrow, I think is the first game; the same day as Derby Day. So that will be an added bonus. In terms of the last quarter, comps will be difficult.

I think Nigel, really the way we look at this is it's a reassuring start for the year, there's a long way to go, as you said, and Chris said, and there are some quite hard comps as we get further through the year. It's a good place to be at the end of the quarter. And your point on high rollers, after what we said, which is we're used to this, it's just not very busy right now.

Okay. So there's nothing underlying?

They come and they go, and they're currently gone.

Okay, Thank you.

A pleasure, thank you.

I think we'll take one more if there is one, and then we'll shut it down, Is there anymore out there? Well, if not, may I wish you all a very happy weekend, and see you all soon.