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ARENA LEISURE PLC

Interim results

for the six-months ended

30 June 2006

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The presentation team

Raymond Mould – Chairman

Mark Elliott – Chief Executive

Bob Mercer – Chief Financial Officer

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2006 so far – Group highlights

- Financial:
 - Turnover increased by 5.7% to £21.9m (2005: £20.7m)
 - Operating profit increased by 9.2% to £2.4m (2005: £2.2m)
 - Profit before tax increased by 7.9% to £2.2m (2005: £2.0m)
 - Earnings per share increased by 7.1% to 0.60 pence (2005: 0.56 pence)
 - Interim dividend 0.25 pence per share (2005: 0.25 pence per share)
- Developments:
 - Lingfield Park Racecourse - planning permission granted for hotel and leisure development.
 - Doncaster Racecourse - redevelopment underway and on schedule. Phase 2 - combined hotel and residential apartment development planned.
 - Wolverhampton City Council short listed by the Casino Advisory Panel.
 - Wolverhampton Racecourse – progress on 'racino' planning application.

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2006 so far – Racecourse division highlights

- Record number of fixtures 179 (2005: 173) up 3.5%:
 - Forecast number of fixtures for 2006: 354 (2005: 324)
 - Forecast number of fixtures 2007: 335
 - One quarter of all UK racing
- Attendances of 216,000 down 4.6% (2005: 226,000):
 - Impact of World Cup – June is 30% of the attendances in the first half
 - Windsor particularly affected – football and weather
 - Focus on corporate customer – up 3.5% to 19,000 (2005: 18,350)
- Doncaster:
 - Doncaster management fee in 2005 (£0.3m)
 - Operating costs in 2006 (£0.2m)
 - Successful St Leger in JV with York in September
- Focus on customer experience:
 - Catering review
 - Ticketing and admissions system



AT THE RACES - 2006 so far - highlights

- 48-hour declarations introduced → increased international opportunities.
- TV channel watched by 1.45 million individual viewers every month → UK and Ireland's most watched dedicated horseracing channel.
- Improvements to the customer experience – 'L' bar and ATR Active.
- Website now achieves in excess of 400,000 unique users.
- Best Specialist Channel – award from Broadcast Digital Channel Awards.
- ATR remains on course to achieve a break-even position at the operating level during the second half of 2006.

Litigation:

- Rebate claim against non-ATR racecourses settled for £1m.
- BHB appeal against decision on abuse of its dominant position.

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Group profit and loss account — for the period to 30 June

	2006 £'m	2005 £'m	
Turnover	21.91	20.73	+5.7%
Profit before interest and taxation	2.43	2.22	
Finance costs	(0.26)	(0.22)	
Profit before tax	2.17	2.00	+7.9%
Tax	-	-	
Profit after tax	2.17	2.00	+7.9%
Earnings per share	0.60	0.56	+7.1%

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Racecourse division – operating profit – key movements

	£'m	£'m	
Operating profit in H1 2005		4.15	
Impact of World Cup (estimate)		(0.30)	
Impact of Doncaster's change in status:			
Management fees	(0.30)		
Net operating costs	(0.20)		
Income from transferred fixtures	0.30		
		(0.20)	
Adjusted operating profit for H1 2005		3.65	
Underlying increase in H1 2006		0.20	+5.5%
Operating profit in H1 2006		3.85	

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Racecourse division – detailed profit and loss account - for the period to 30 June

	2006 £'m	2005 £'m
Turnover: Raceday related:		
Levy	9.9	9.1
LBO	4.6	4.1
Attendance related income	3.3	3.3
Other (incl. sponsorship, media rights)	2.6	2.4
Non raceday	1.5	1.8
Total turnover	21.9	20.7
Costs:		
Prize money	7.4	6.8
Raceday costs	5.7	5.4
Other	4.0	3.6
Total costs	17.1	15.8
Racecourse division EBITDA	4.8	4.9
Depreciation	(1.0)	(0.8)
Racecourse division operating profit	3.8	4.1



AT THE RACES

- profit and loss account – for the period to 30 June
- showing Arena’s share @ 47.5%

	2006	2005	
	£'m	£'m	
Operating loss	(0.27)	(0.68)	+60.3%
Exceptional items	0.11	(0.22)	
Interest expense	(0.06)	(0.04)	
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Share of post tax results of JV	(0.22)	(0.94)	+76.6%
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Group cash flow – for the period to 30 June 2006

	£'m
Cash flow from operating activities	3.6
Movement in working capital	(0.7)
Capital expenditure	(6.4)
Loans to ATR	(0.3)
Interest	(0.3)
Issue of shares	0.3

	(3.8)
Dividends paid	(0.7)

Movement in net debt	(4.5)
Opening net debt at 31 December 2005	(10.8)

Closing net debt at 30 June 2006	(15.3)

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Arena – the future

- Deliver consistent profit growth through:
 - Greater utilisation of our assets on both race days and the many days in between; and
 - Continual improvement in the quality of services provided to our customers.
- Major capital investment in our racecourse properties:
 - Improvements to existing customer facilities; and
 - Development of major new or expanded income streams.
- Remain a leading influence on the future of UK horse racing, thereby:
 - Securing an improved share of revenues; and
 - Allowing continued modernisation and commercialisation of the industry.
- Realise value from surplus or under-utilised assets – 1,070 acres freehold (201 acres leasehold).
- Acquisitions that complement our core skills and operations and which lead to an increase in shareholder value. Such acquisitions are likely to be opportunistic in their nature.

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Arena – major development projects

Doncaster

- Host to the St Leger – the oldest classic race in the world.
- 29 annual fixtures – most transferred to Arena courses during development.
- Annual attendances of around 224,000.
- Major exhibition and conference business.

Phase 1:

- Construction of new grandstand and conference/exhibition facilities.
- Rationalisation of racecourse operations, with a greater sense of racing 'theatre', new stables, 3 refurbished stands.
- Estimated total cost - £32m.
- On schedule for completion for Ladbrokes St Leger Festival from 12-15 September 2007.

Phase 2:

- 120-bedroom hotel and residential apartment development.
- Net cost estimated at £10m.

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Arena – major development projects (continued)

Lingfield Park

- Planning permission granted for hotel and leisure development at Lingfield Park Racecourse:
 - Local council - approval in July 2006.
 - GOSE – no call-in by Secretary of State, September 2006.
 - Subject to finalising legal agreements with the Council and the approval of a reserved matters application.
- Racecourse development – new integrated leisure building incorporating:
 - 120-bedroom hotel;
 - Replacement hospitality boxes;
 - Leisure centre, with a swimming pool;
 - New golf club house;
 - New stables; and
 - Bars and restaurants.
- Conversion of existing leisure and squash club into residential apartments.
- Estimated net cost of the two related developments is in the region of £25 million.

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Arena – major development projects (continued)

Wolverhampton

- Planning application developed to create the UK's first 'racino':
 - 170-bedroom hotel;
 - Casino;
 - Leisure club with a swimming pool; and
 - Conference, exhibition and banqueting facility.
- Addresses Green Belt issues, in particular, the “visual impact on the openness of the Green Belt”.
- Application expected to be submitted in next two months.
- Project cost estimated at around £20m.

- Wolverhampton City Council one of 31 councils short listed by the Casino Advisory Panel for one of the 8 large and 8 small new casino licenses.

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Arena – acquisition projects

The Tote

- Government owned - manifesto commitment to sell the Tote to 'racing', confirmed at the 2006 Budget. (source: Tote website)
- 540 betting shops. (source: Tote 2006 annual report)
- Present on all 59 UK racecourses.
- Holds an exclusive licence to run pool betting on horseracing. Formerly held in perpetuity, will be terminated, to be replaced by a new 7 year exclusive licence issued and regulated by the Gaming Board. (source: Tote website)
- 'Racing' consortium represented by: Arena, RHT and ROA.
- Non-disclosure agreement entered into with the UK Government.
- Expression of interest submitted to DCMS.
- £2.1bn = Turnover (for the year ended 31 March 2006). (source: Tote 2006 annual report)
- £32.3m = Net cash inflow from operating activities (for the year ended 31 March 2006).
N.B. Does not include £10.5m "contribution to racing" (source: Tote 2006 annual report)
- Arena will only participate in an acquisition if the Board believes that Arena can add value and thereby generate value for its shareholders.

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Closing comments and outlook

- Commitment to providing the highest quality experience to all of our customers is fundamental to delivering value to our shareholders.
- Exciting range of value enhancing development opportunities:
 - Doncaster redevelopment proceeding according to schedule;
 - Doncaster hotel and residential apartment project;
 - Lingfield Park hotel development; and
 - Wolverhampton hotel expansion and casino development.
- A company with a strong team in racing, venue management and property skills to deliver on the opportunities and meet the challenges.

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