

Paddy Power plc

2009 Interim Results



paddypower.com

Introduction

- **Introduction**
- Financial Performance
- Operational Review
- Strategy & Outlook

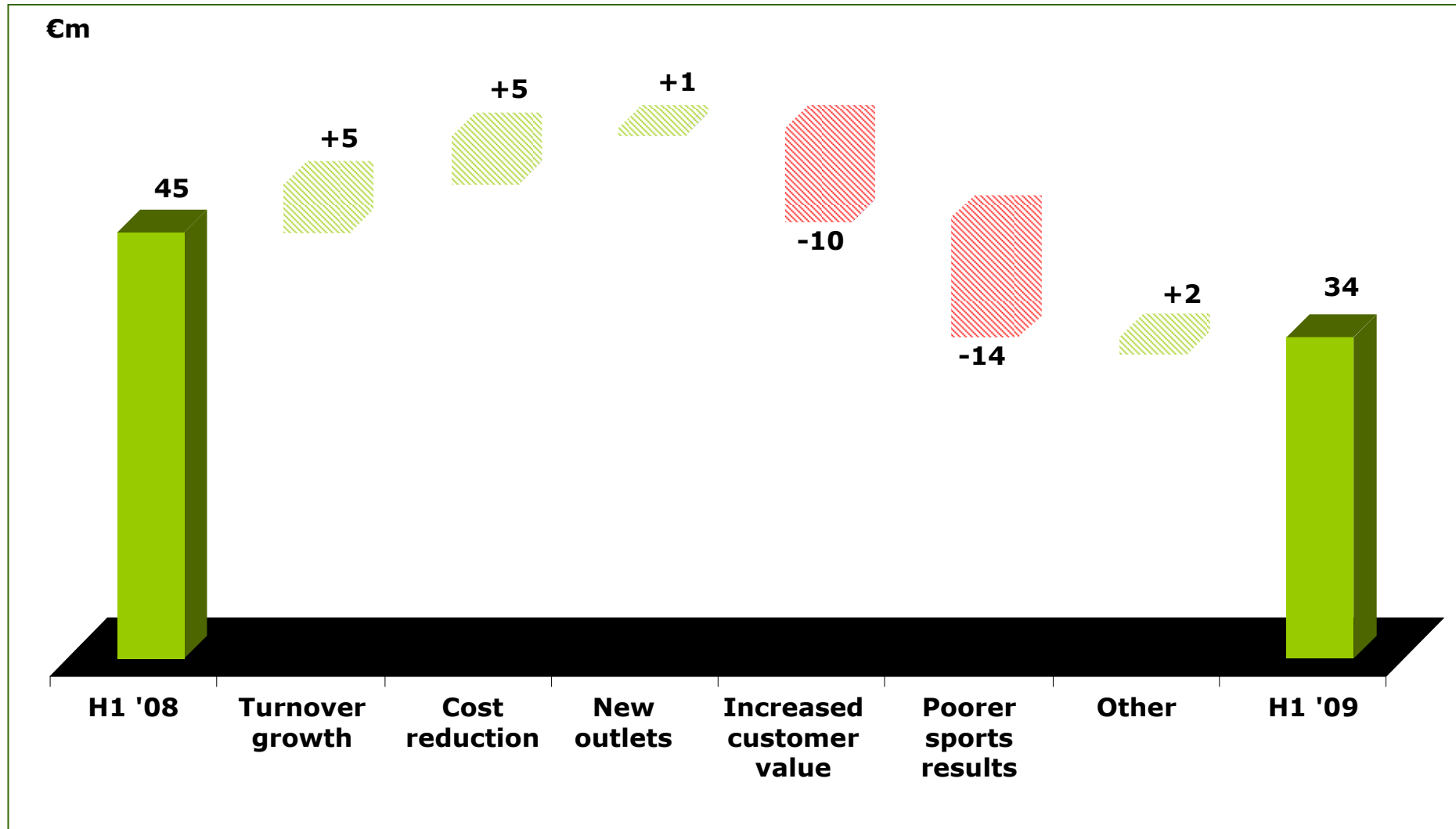
Highlights

- Continued investment in product, value and brand drove:
 - Underlying profit growth before the adverse impact of y-o-y sporting results
 - Acceleration of Online growth, turnover +32% (CC), active customers +20%
 - Increased Irish Retail market share to c.29%
 - UK Retail EBITDA growth per shop, 15 shops opened YTD
- Successful entry into attractive Australian market

Financial Performance

- Introduction
- **Financial Performance**
- Operational Review
- Strategy & Outlook

Operating Profit Bridge



Financial Highlights

€m	H1 '09	H1 '08	Change	CC*
Turnover	1,148	1,067	+8%	+12%
Gross Win	132.7	151.8	-13%	-9%
EBITDA	41.8	53.4	-22%	-20%
Operating Profit	33.5	45.1	-26%	-24%
Profit Before Tax	34.1	47.1	-28%	
Profit After Tax	29.5	39.4	-25%	
Diluted EPS	62.6c	81.0c	-23%	
Interim Dividend	19.5c	18.6c	+5%	

- Turnover growth 12% (CC) after:
 - 13% GBP£ depreciation
 - 15% US\$ appreciation
- Sportsbook gross win margin -2.7%:
 - -c1.0% extra concessions
 - -c1.4% sporting results
 - -c0.3% business mix
- Gross win -9% (CC):
 - Sportsbook -14%
 - Gaming/machines +9%
- Opex reduced by 4% (CC)
- Effective tax rate down to 13.3%
- Dividend +5% reflecting:
 - Underlying performance
 - Confidence in prospects

* Percentage change presented in constant currency ('CC') i.e. change calculated with foreign currency component in 2008 translated at 2009 exchange rates
 Note: H1 '08 financials above and throughout exclude a 'once-off' exceptional gain of €2.7m pre tax and €2.5m after tax

Gross Win to Gross Profit

€m	H1 '09	H1 '08	Change	CC
Gross win	132.7	151.8	-13%	-9%
Betting and gaming taxes	(6.9)	(6.6)	+5%	
Software supplier costs	(4.6)	(5.3)	(14%)	
Other	(3.6)	(4.3)	(16%)	
Gross profit	117.6	135.6	-13%	-10%

Cash Flow

€m	H1 '09	H1 '08**
Operating profit	33.5	47.8
Depreciation and disposals	8.3	8.5
Employee share schemes	1.2	3.9
Working capital	(4.9)	(0.5)
Maintenance capex	(2.1)	(3.0)
LTIP share purchases	-	(7.5)
Operating cashflow	36.0	49.2
Enhancement capex	(5.3)	(5.5)
Acquisitions	(2.0)	(22.4)
Share issues and interest	1.9	2.2
Corporation tax	(5.2)	-
Dividends	(16.9)	(17.1)
Purchase of own shares	-	(14.2)
Foreign currency	1.4	(1.0)
Net increase / (decrease) in cash	9.9	(8.8)
Cash at year end*	86.6	79.1

* Including restricted deposit of €4.7m at 30 June 2009

** Including exceptional gain of €2.7m within operating profit, LTIP share purchases within operating cashflow and foreign currency shown separately

Capital Expenditure

Analysis of H1 Capital Expenditure

€m	Maintenance	Enhancement	Total
Irish Retail	1.2	1.0	2.2
UK Retail	0.2	2.9	3.1
Non Retail & HO	0.7	1.4	2.1
TOTAL	2.1	5.3	7.4

'Enhancement' includes new shop openings, relocations, extensions and refits of acquired shops; 'Maintenance' includes regular shop refits.



Operational Review

- Introduction
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- **Operational Review**
- Strategy & Outlook

H1'09 Sporting Results



Divisional Summary

Turnover

€m	H1 '09	H1 '08	CC
Online	431	350	+32%
Irish Retail	475	490	-3%
UK Retail	91	84	+24%
Telephone	151	143	+12%
Total	1,148	1,067	+12%

Gross Win

Online	51.6	55.0	-1%
Irish Retail	56.6	68.7	-18%
UK Retail	16.8	15.8	+23%
Telephone	7.6	12.4	-35%
Total	132.7	151.8	-9%

Operating Profit

Online	21.8	21.1	+7%
Irish Retail	11.7	20.5	-43%
UK Retail	0.5	0.5	+276%
Telephone	(0.4)	3.0	n/a
Total	33.5	45.1	-24%

Online

€m	H1 '09	H1 '08	CC
Turnover	431	350	+32%
Gross Win Sportsbook	26.6	31.1	-8%
<i>Sportsbook Gross Win %</i>	<i>6.6%</i>	<i>9.6%</i>	
Gross Win Gaming	25.0	23.9	+7%
Total Gross Win	51.6	55.0	-1%
Gross Profit	44.2	46.9	-2%
Operating Profit	21.8	21.1	+7%
<i>Active Customers*</i>	<i>265,188</i>	<i>218,482</i>	<i>+21%</i>

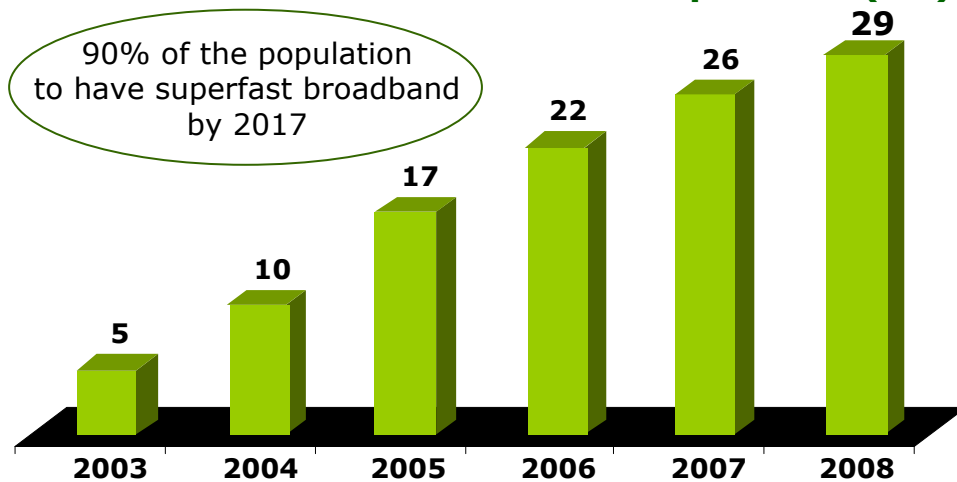
- Strong sportsbook turnover growth:
 - Active customers +21%
 - Bet volumes +52%
- Gross win % below expected range of 7-8% due to adverse sporting results
- Increased profits within each of the gaming businesses
- Tight cost control whilst also investing selectively
- Continued profit growth despite headwinds (sport results, Euro08, FX)

* Active customers within table defined as those who have bet in the last 3 months

Online: Structural Growth

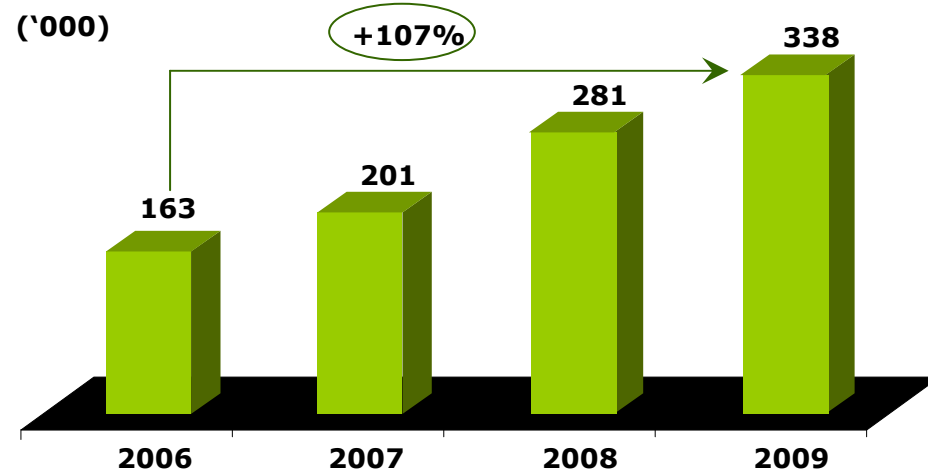
MARKET

Broadband Connections Per 100 Population (UK)

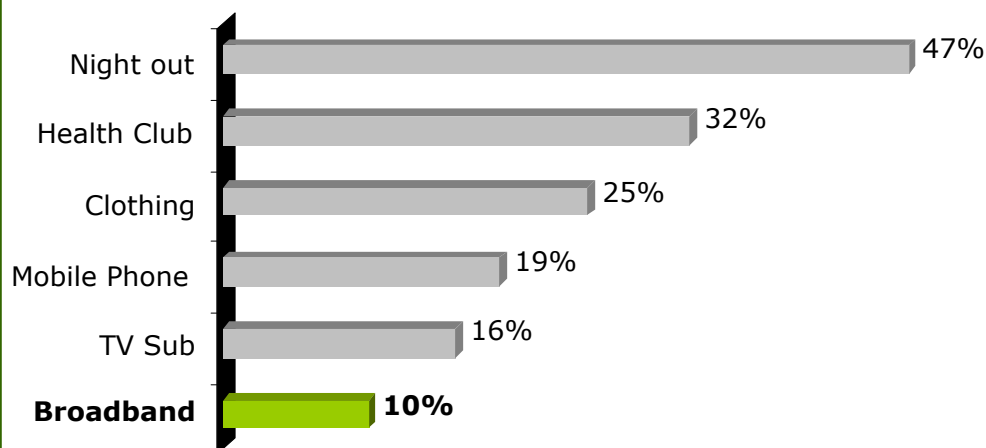


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H1 Online Active Customers



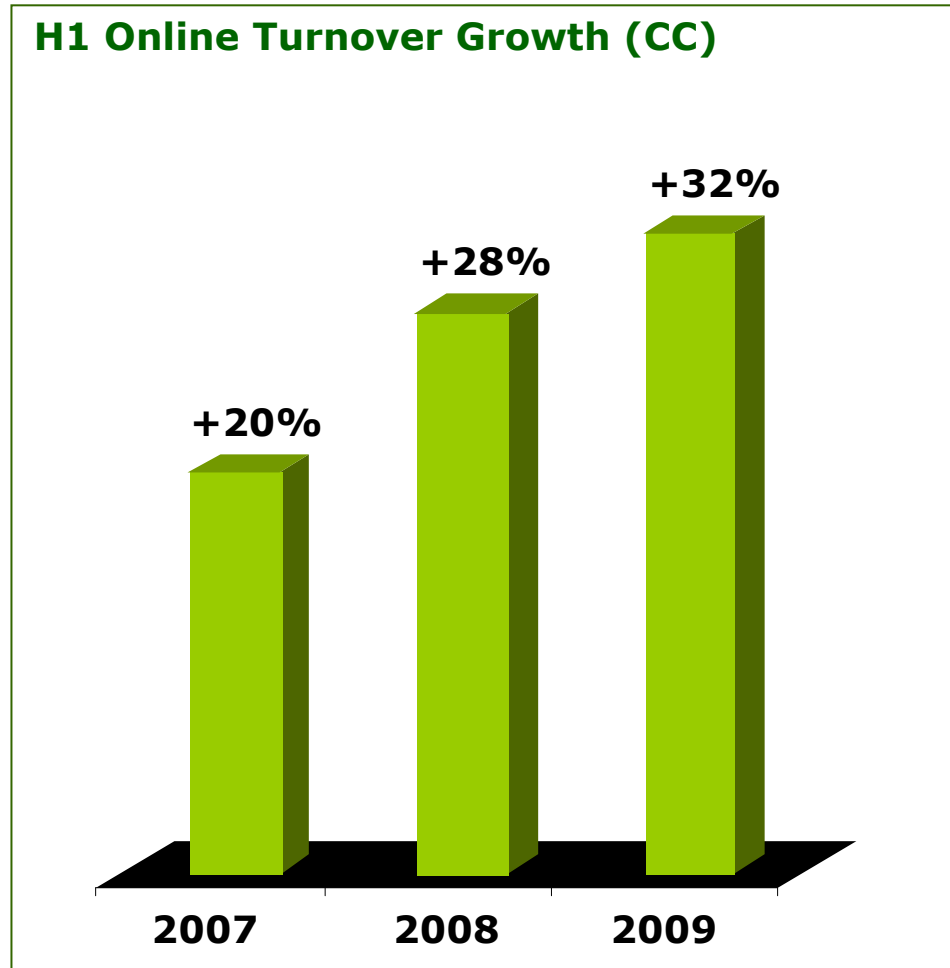
Items Consumers Are Most Likely To Cut Back



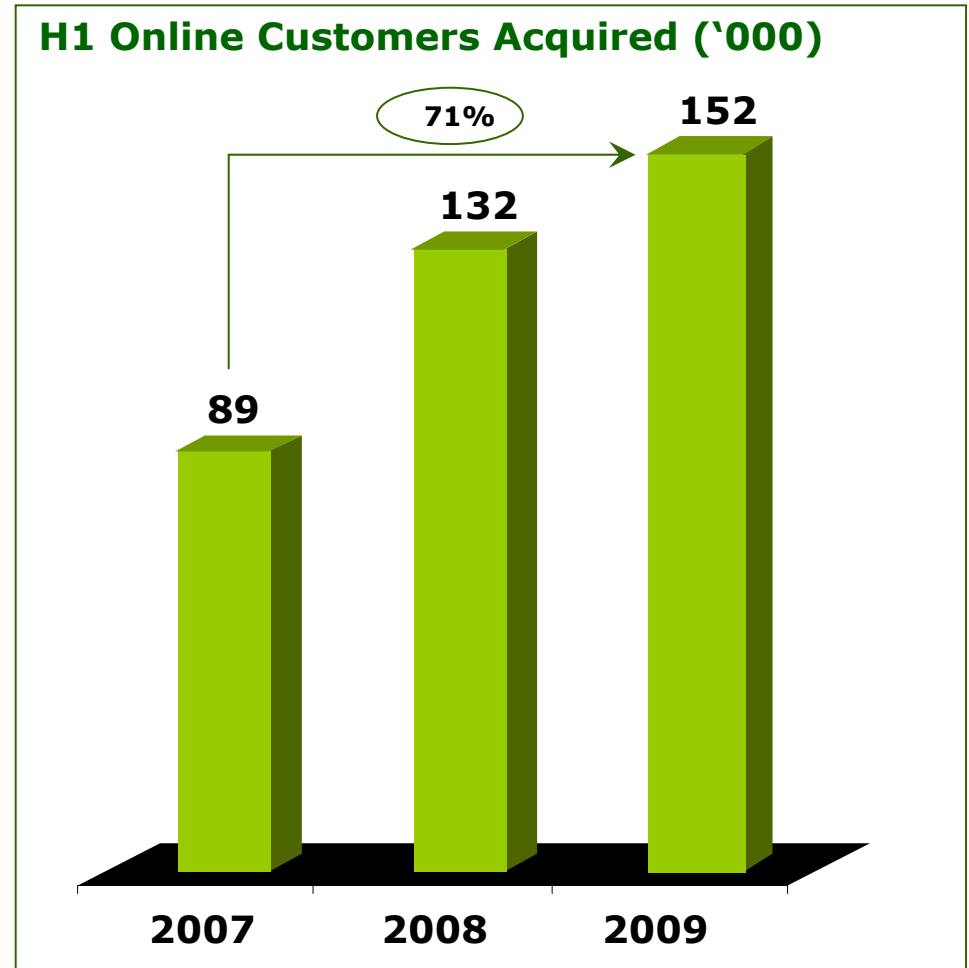
Source: Ofcom, 2009

Paddy Power Online Growth Momentum

TURNOVER

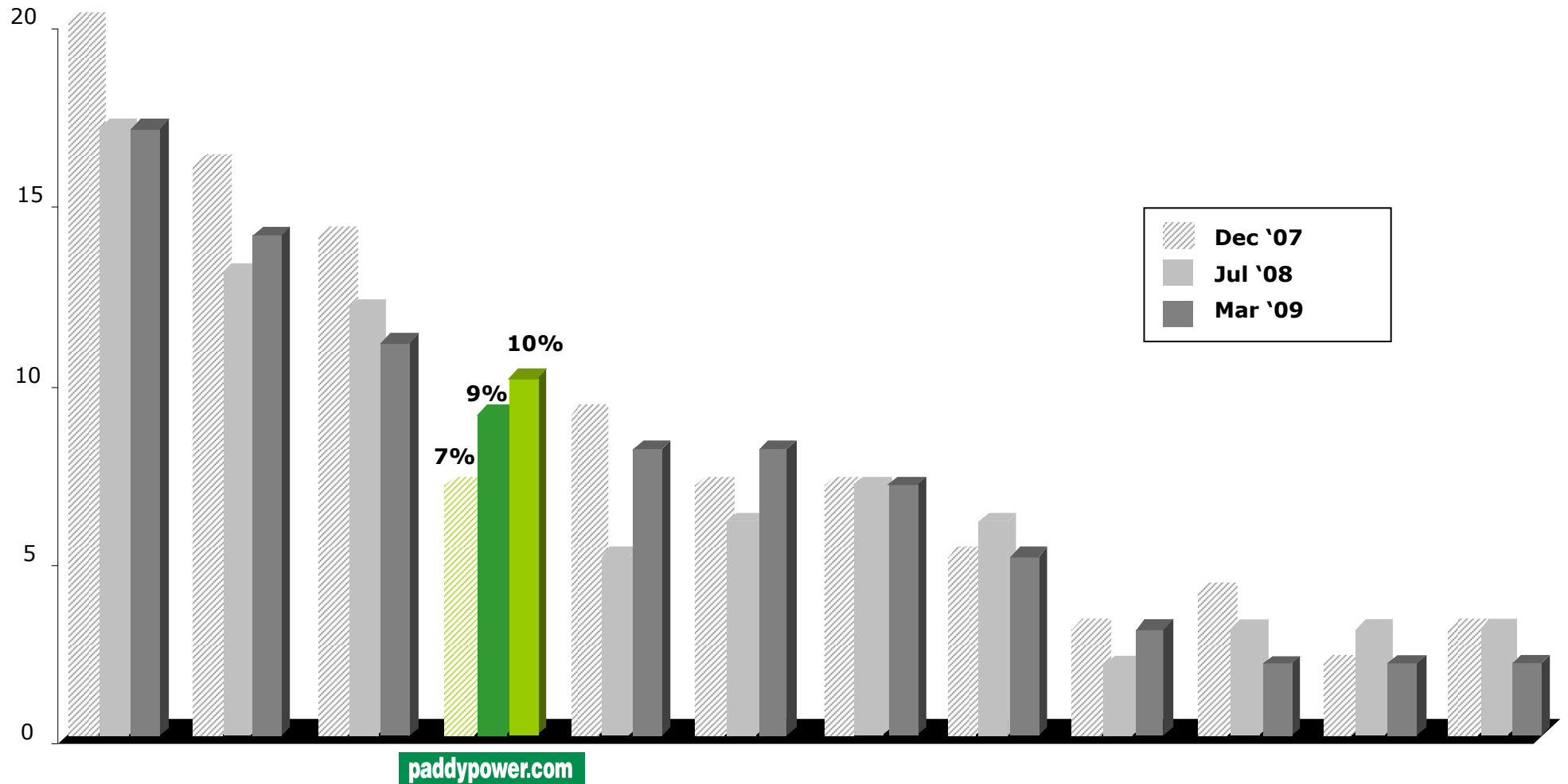


CUSTOMER ACQUISITION



Paddy Power Continues To Take UK Online Market Share

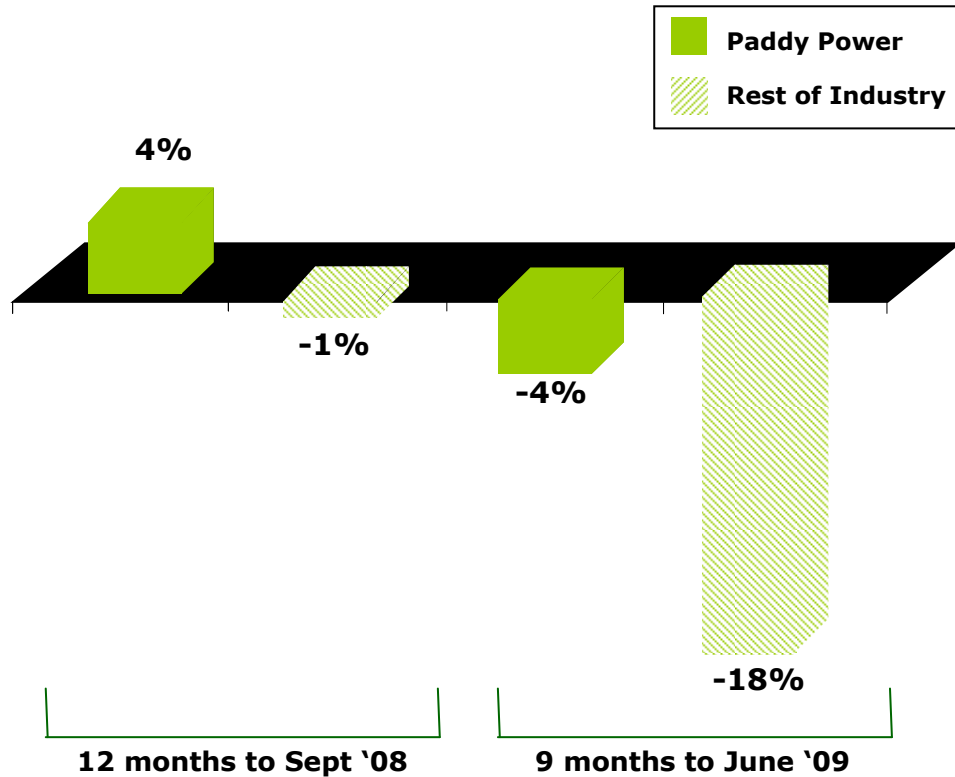
% of UK Online Sportsbetting Market



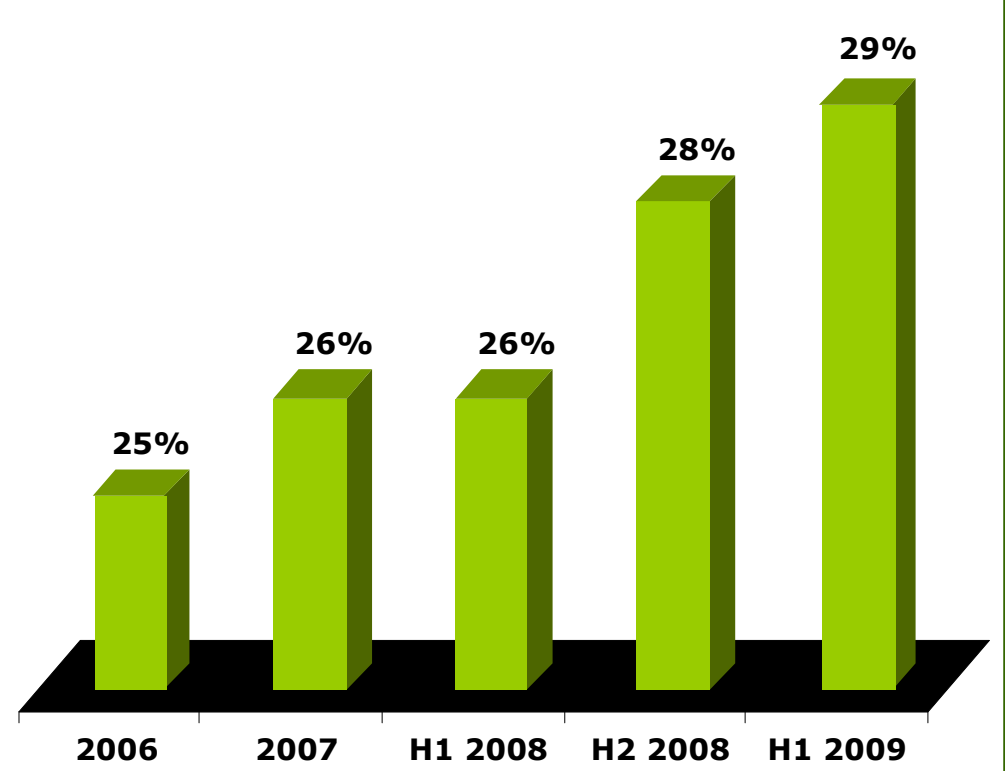
Source: TNS; Base for 3 dates: 755 / 951 / 910 regular bettors

Irish Retail

Y-o-Y Turnover Movement



Paddy Power Market Share



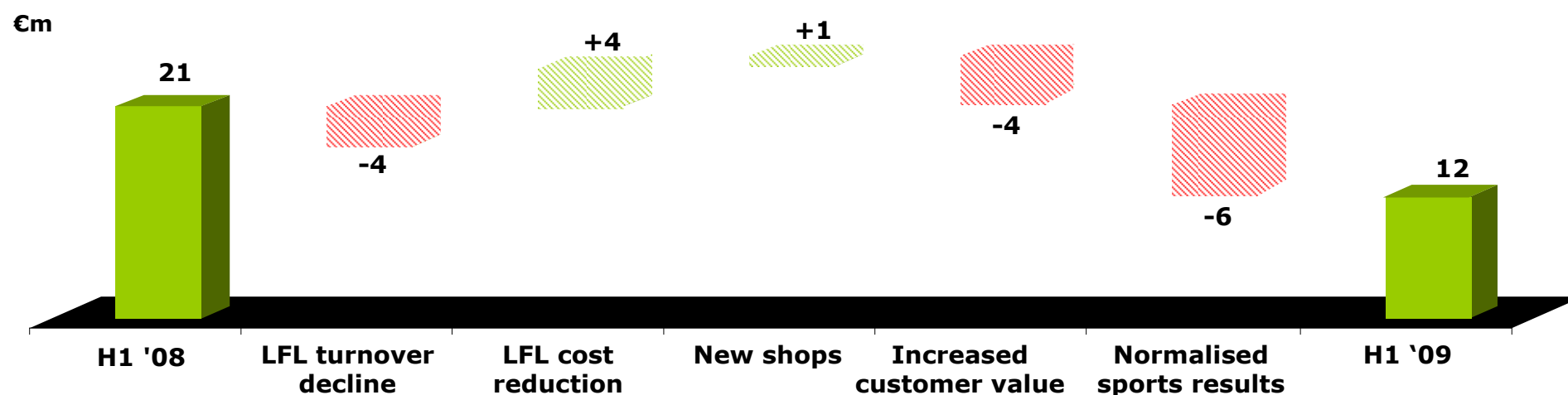
Source: Irish Revenue Betting Duty Tax Return Data plus estimate for final Q209 update

Irish Retail

€m	H1 '09	H1 '08	Change
Turnover	475	490	-3%
Gross Win	56.6	68.7	-18%
<i>Sportsbook Gross Win %</i>	<i>11.9%</i>	<i>14.0%</i>	
Operating Profit	11.7	20.5	-43%
<i>Shops at period end</i>	<i>195</i>	<i>186</i>	<i>+5%</i>

- Like-for-like KPIs:
 - Amounts staked -8%
 - Gross win -21%
 - Direct shop opex -7%
- Four new shops opened, including one acquired
- Estimated 67 shops closed across industry in last 12 months
- Betting tax increase from 1% to 2% postponed for Government review

Operating Profit Bridge



UK Retail

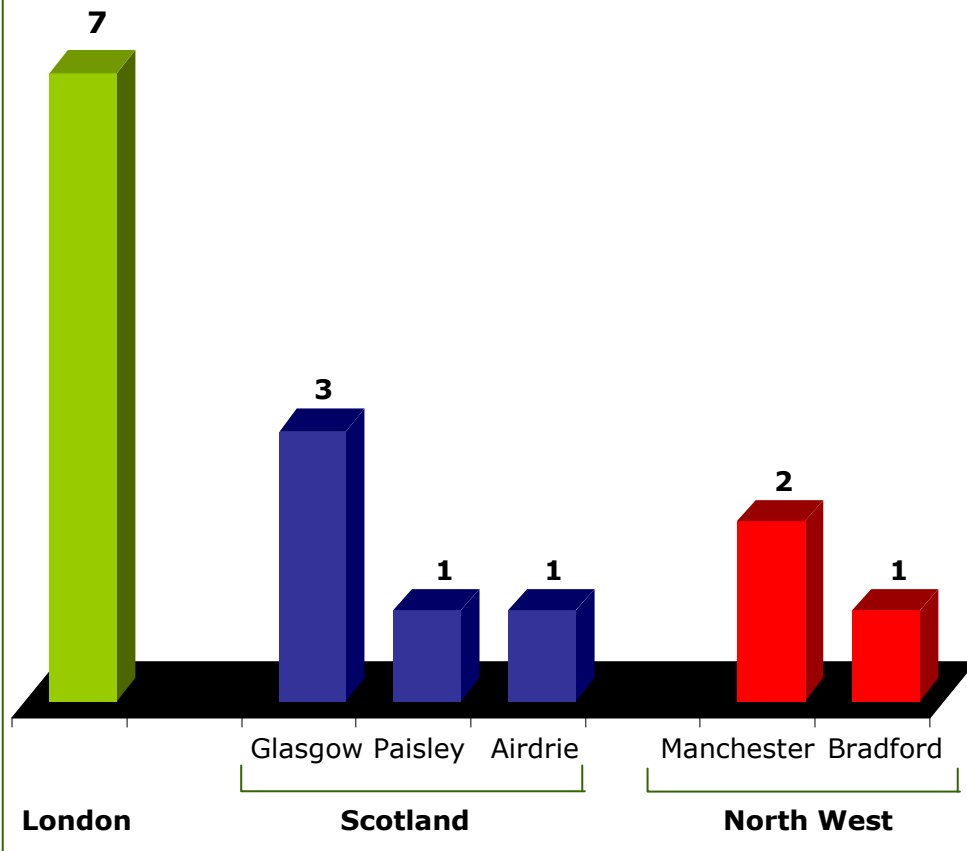
€m	H1 '09	H1 '08	CC
Turnover	91	84	+24%
Gross Win OTC	10.6	9.7	+26%
<i>Sportsbook Gross Win %</i>	<i>12.5%</i>	<i>12.4%</i>	
Gross Win Machines	6.2	6.1	+17%
Total Gross Win	16.8	15.8	+23%
Shop EBITDA	4.3	4.4	+18%
Shop Depreciation	(2.1)	(2.0)	+7%
Shop EBIT	2.2	2.4	+31%
Central Overheads	(1.7)	(1.9)	+11%
Operating Profit	0.5	0.5	+276%
<i>Shops at period end</i>	<i>80</i>	<i>67</i>	<i>+19%</i>

- Like-for-like KPIs (CC):
 - OTC* amounts staked -4.7%
 - OTC gross win +0.1%
 - Machine gross win +3.4%
 - Total gross win +1.4%
 - GB operating costs -3%
 - GB EBITDA per shop +1%, £56K
- Profit maintained at €0.5m reflecting:
 - Increased profits from 60 London shops at start of 2009 (€0.4m) and full period contribution from eight N. Irish shops (€0.4m)
 - Offset by upfront costs of new openings (€0.4m) and weaker sterling (€0.4m)

* Over-the-counter

UK Retail: Openings Year to Date

15 Openings Year To Date

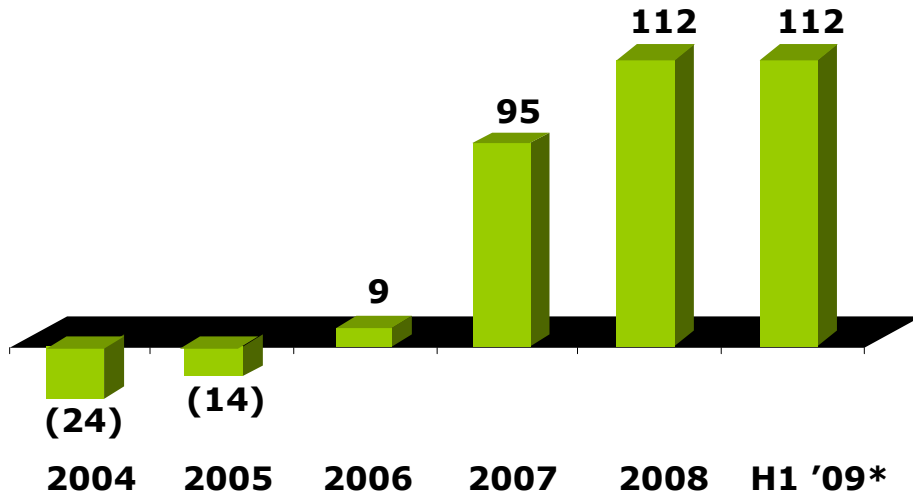


Paddy Power, Chinatown, London

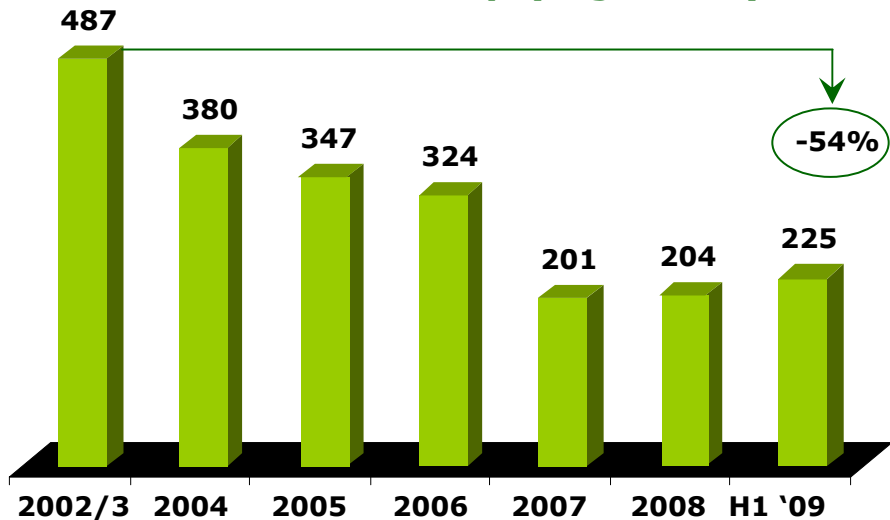


GB Retail: Return on Capital

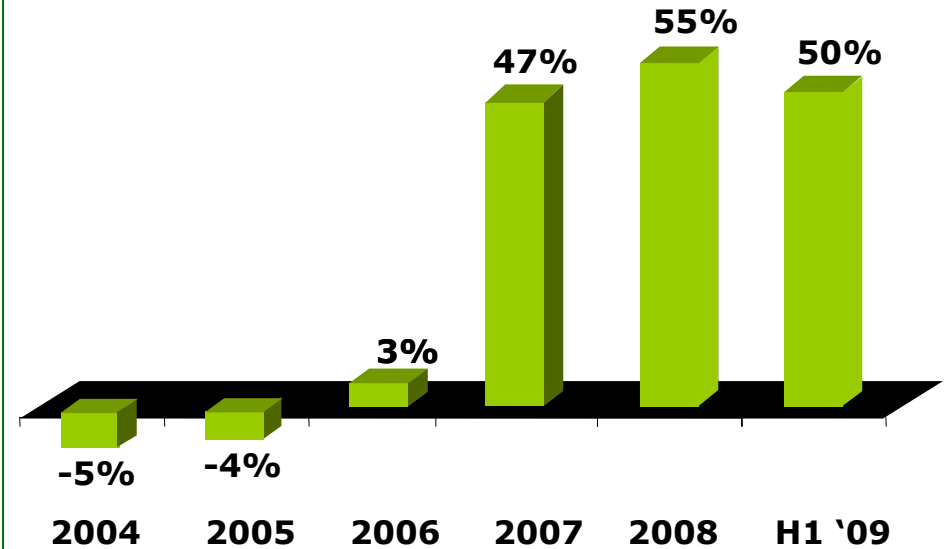
EBITDA Per Shop (Stg £'000)



Total Cost Per New Shop (Stg £'000)**



EBITDA Per Shop / Capital Cost Per Shop



* Based on doubling £56,000 in first half of 2009

** Pre lease premia (£25,000 per shop average from 2002 to June 2009)

Telephone

€m	H1 '09	H1 '08	CC
Turnover	151	143	+12%
Gross Win	7.6	12.4	-35%
<i>Sportsbook Gross Win %</i>	<i>5.0%</i>	<i>8.6%</i>	
Gross Profit	7.6	12.3	-35%
Operating Profit/(Loss)	(0.4)	3.0	
<i>Active Customers*</i>	<i>36,442</i>	<i>28,234</i>	<i>+29%</i>

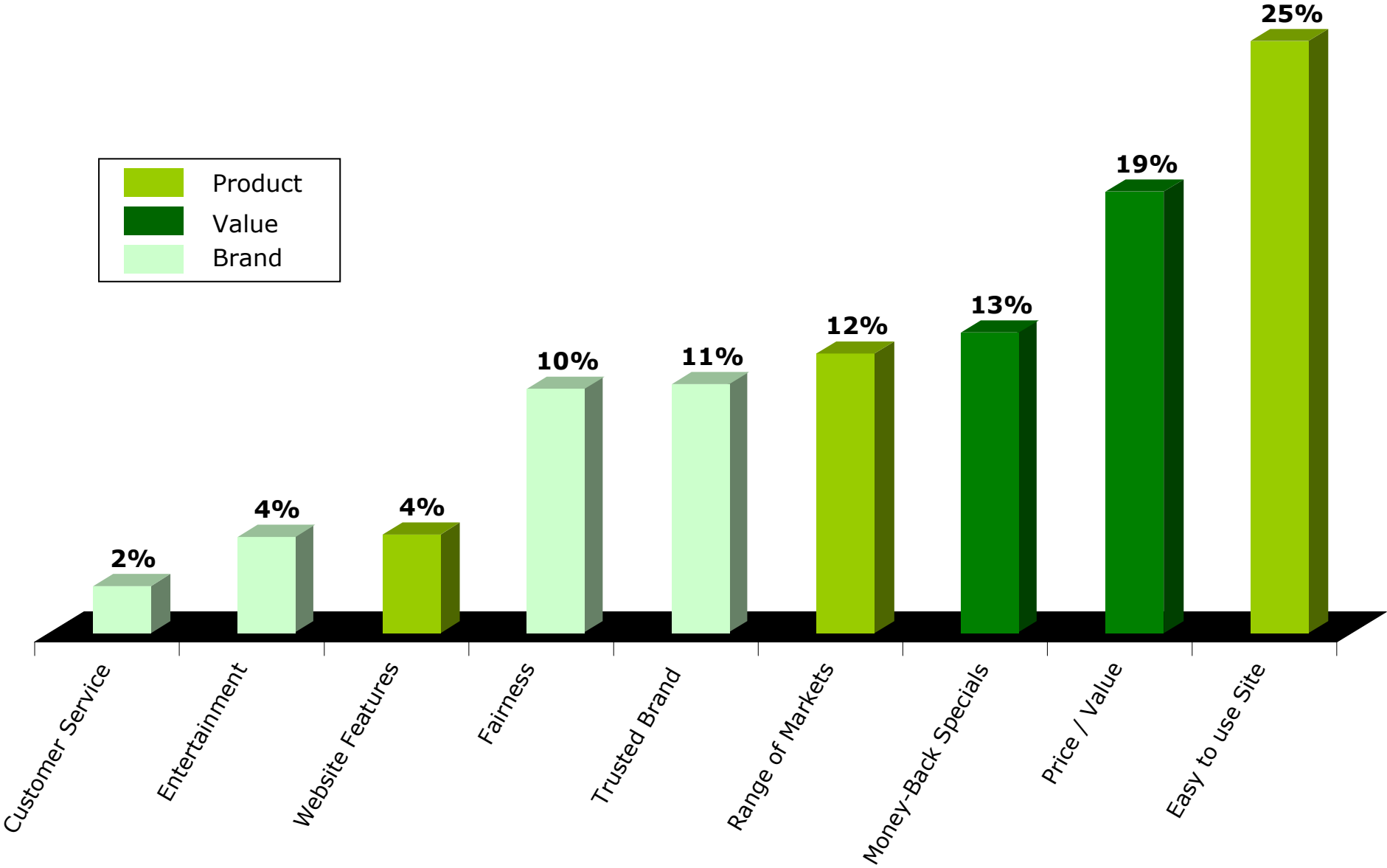
- Strong turnover growth:
 - Bet volumes +38%
 - Average stake per bet -19% (CC)
- Low gross win % reflects higher Irish customer and racing content than Online, more football and rugby than Retail, and higher stakes unit
- Operating costs reduced by 11% (CC)
- Net customer migration online
- Profitable pre central costs despite exceptionally adverse sporting results

* Active customers within table defined as those who have bet in the last 3 months

Strategy & Outlook

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Reason to bet with paddypower.com



Value: Early, Extra and Justice Payouts



YOUR COUSIN VINNY!

SUPREME NOVICES' HURDLE (1.30pm)

We'll refund losing Win and Each Way singles, if Cousin Vinny wins the Supreme Novices' Hurdle!*

Paying **5** Places!

William Hill Handicap Chase (2.40pm)

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ROW: Ovrebo

Bookie cash back

PUNTERS who backed Chelsea on Wednesday night have been given their money back – despite losing to Barcelona.

Bookies Paddy Power made the move after branding referee Tom Ovrebo a "disgrace".

He turned down four Chelsea penalty claims, sparking angry

scenes at the end of the match. The English side were dumped out of the Champions League when Andres Iniesta's goal meant Barca reached the final instead.

Power said those backing Chelsea to win in 90 minutes or reach the final will be refunded.

REF FURY: Pages 76-77



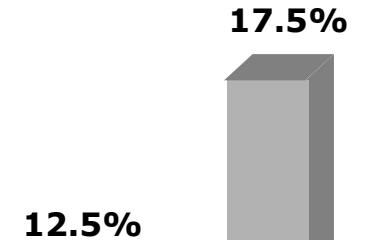
You may think it's a little early to make such a drastic statement, but try telling that to Paddy Power, who yesterday took the astonishing decision to pay out on Sir Alex Ferguson's side winning the Premier League, Carling Cup and FA Cup.

5 STAR VALUE

We're paying **5** places on all Grand National each-way bets



2008 UK Retail OTC Gross Win Percentages



Paddy Power

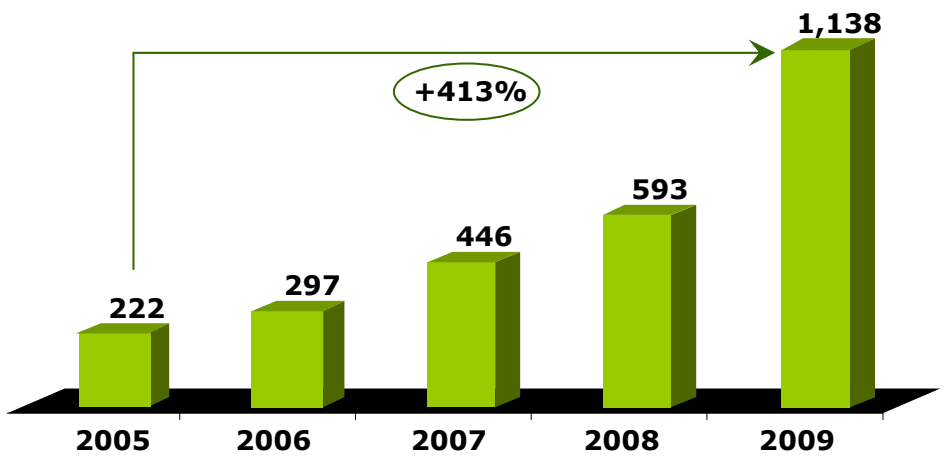
Quoted Competitors

Product: Event and Market Expansion

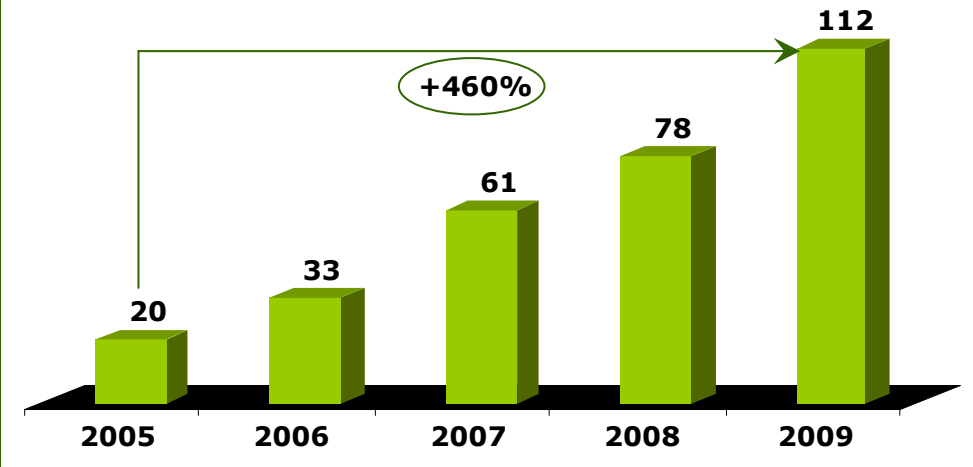
H1 Events Covered ('000)



H1 Markets Offered ('000)



H1 Non Retail Sports BIR Turnover (€m, CC)



Brand

Next Labour Leader



Paddy Power
2009 WIFE CARRYING
CHAMPIONSHIP

THE Sun

IRISH TIMES

DAILY Mirror

SUNDAY WORLD
A REAL IRISH SUNDAY

IRISH DAILY STAR SUNDAY

IRISH DAILY STAR

 Irish Independent

100.1 to 102 TODAY fm

RTE 2fm
90-92 FM

THE SCOTSMAN

THE TIMES

Shamrock Rovers v Real Madrid



TV Campaign

Australian Expansion

- **Australia: an attractive market**

- Legal
- Fast growing
- Strong betting culture
- Deregulating
- Strong online fundamentals



- **Two acquisitions**

- 14 May: 51% stake in Sportsbet
 - Completed 1 July; Initial consideration €27.8m (AUD48.5m); Option to 100%
- 3 June: Sportsbet recommended offer for IAS
 - Offer for outstanding 80%; AUD40m valuation for 100%



Update

1. Sportsbet Acquisition

- **Trading** Satisfactory trading; internet momentum continuing
- **Integration** Commercial Director and Head of Risk appointed from Paddy Power

Sharing of e-commerce, product, risk and marketing expertise underway

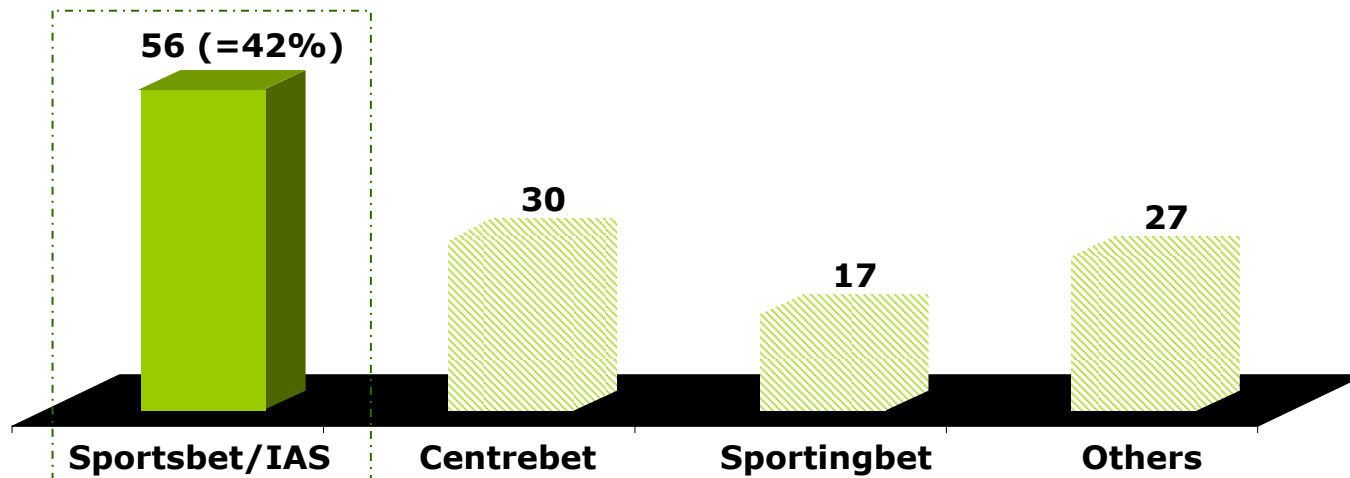
2. IAS Recommended Offer

- **Business** Online (80%) and telephone (20%) bookmaker in Australia
- **Profitability** Forecast EBITDA of AUD9.2m, y/e June '09
- **Process** On schedule; shareholder meeting 14th September

Australian Online Betting Market

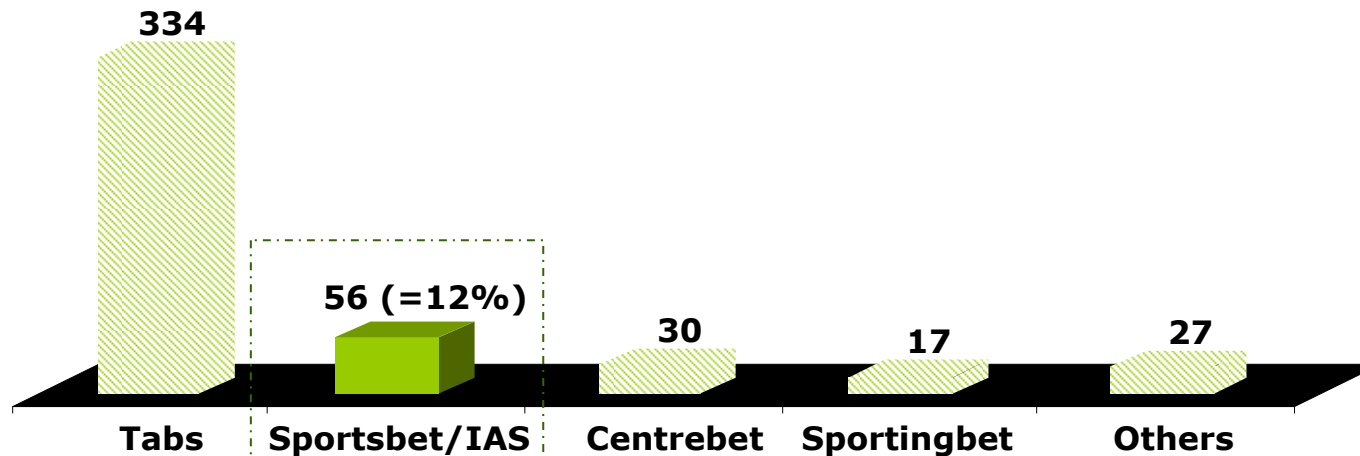
1. CORPORATE BOOKMAKERS

(Estimated Gross Win, AUDm, y/e June 2008)



2. TOTAL MARKET

(Estimated Gross Win, AUDm, y/e June 2008)



Trading Update

Growth In Sportsbook Amounts Staked (CC)



- H1: Non Retail 28%, Retail 0%
- 1 July-23 Aug: Non Retail 31%, Retail 7%, boosted by 2008 cancellations and recycling

Sportsbook Gross Win Percentages



- 1 July-23 Aug below our expected ranges of:
 - Retail: 11-13%
 - Non Retail: 7-8%

Non Sportsbook Gross Win (CC)



- H1: +9%
- 1 Jul-23 Aug: +17%

Australia



- Strong momentum continues

“Group remains on track to meet the current market consensus for 2009”

Opportunities

Focus on value, product and brand will continue to pay:

Online



- Strong structural fundamentals driving online, majority of Group profits

Irish Retail



- Irish Retail to emerge from downturn stronger and with increased share

UK Retail



- Significant UK Retail opportunity given a market of almost 9,000 shops

**New
Businesses**



- Potential of new Australian business

“Confident of the Group’s prospects in 2010 and beyond”