

Paddy Power plc

2012 Interim Results





Introduction

Financial Performance

Operational Review

Strategy & Outlook

Highlights

- Record profit before tax, up 21% to €69m
- 30% increase in interim dividend
- Accelerated growth in existing businesses
- Successful launch into Italian online market
- Social, mobile and tablet development activity accelerated



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Financial Highlights

€m	H1'12	H1'11	Change
Amounts Staked	2,741	2,225	+18%
Net Revenue	311	232	+29%
EBITDA	81.9	68.1	+15%
Operating Profit	67.1	56.2	+13%
Profit Before Tax	68.7	56.8	+15%
Diluted EPS	121.5c	97.1c	+25%
Dividend	39.0c	30.0c	+30%

H1'12 included Euro 2012 stakes of €70m and gross win of €6.1m

Sportsbook gross win margin +0.9% with improved sports results

Net revenue +29% comprises:

- Sportsbook +29%
- Gaming, Machines & B2B +29%

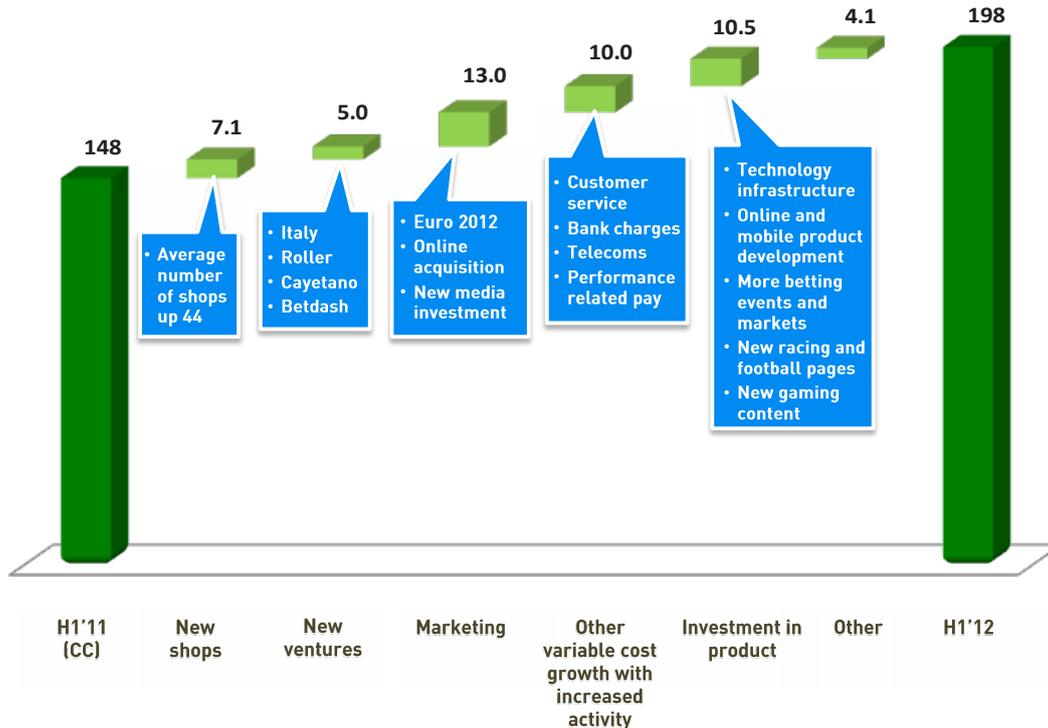
Effective tax rate down to 13.0% from 13.5%

Note 1: With the exception of EPS and dividends, all percentage changes are in constant currency ("CC") with foreign currency component in H1'11 translated at H1'12 exchange rates

Note 2: For consistency with online industry practice, the Group now deducts free bets, promotions and bonuses from Gross Win and reports the resulting Net Revenue amount. Profit is not affected, just the classification of costs. H1'11 is shown on the same basis

Operating Cost Growth

€m



Financial Highlights - Divisional

Amounts Staked

€m	H1'12	H1'11	Change*
Online (ex Australia)	1,050	771	+31%
Online Australia**	763	642	+10%
Irish Retail	474	483	{2%}
UK Retail	257	177	+37%
Telephone	196	152	+25%
Total	2,741	2,225	+18%

Net Revenue

Online (ex Australia)	128	94	+32%
Online Australia**	67	47	+32%
Irish Retail	57	51	+13%
UK Retail	48	33	+39%
Telephone	11	8	+30%
Total	311	232	+29%

Operating Profit

Online (ex Australia)	35.9	36.5	{6%}
Online Australia**	13.2	9.8	+24%
Irish Retail	9.0	5.1	+85%
UK Retail	7.6	4.7	+48%
Telephone	1.3	0.2	+341%
Total	67.1	56.2	+13%

* In constant currency

** Australia also includes legacy telephone operations accounting for less than 5% of its gross and operating profit in H1'12

Cash Flow

€m	H1'12
EBITDA	81.9
Maintenance capex	(7.6)
Working capital and other	<u>22.8</u>
Operating cashflow after tax	97.1
Investing and financing activities:	
Acquisitions	(4.1)
Enhancement capex	(15.2)
Dividends	(34.4)
Other	6.5
Increase in net cash	49.9

H1'12 operating cashflow
163% of earnings
(5 years 2007-2011: 134%)

New shop openings and
technology for product
improvements and new
ventures

Closing cash €186m
(€128m excluding customer
balances)



Introduction

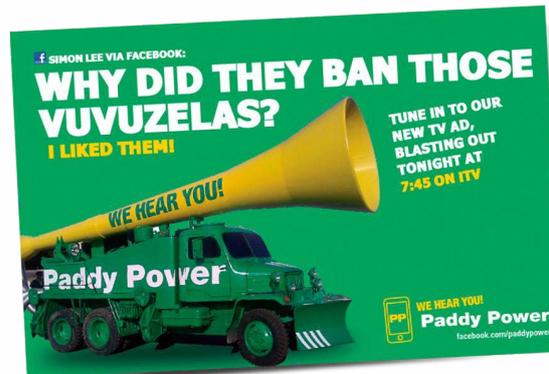
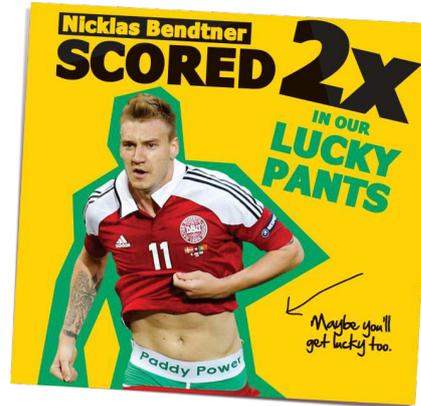
Financial Performance

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Euro 2012

- Opportunity to showcase Paddy Power difference
- Marketing investment: brand, PR, online
- Value investment: eight Money-Back Specials refunded over €2m
- Stakes €78m (+164% vs. Euro 2008)
- Gross Win €7.6m



Online (ex Australia)

€m	H1'12	H1'11	Change*
Amounts Staked	1,050	771	+31%
Net Revenue Sportsbook	76.3	54.3	+36%
<i>Sportsbook Gross Win %</i>	8.4%	7.9%	
Net Revenue Gaming/B2B	51.7	39.5	+26%
Underlying Profit	42.2	36.8	+10%
New Ventures	(6.3)	(0.3)	n/a
Operating Profit	35.9	36.5	(6%)
<i>Active Customers**</i>	<i>997,000</i>	<i>704,000</i>	<i>+42%</i>

* In constant currency

** Active customers are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers

Strong sportsbook growth:

- Bet volumes +46%
- Active customers +47%
- Average stake per bet -10%*

Mobile sportsbetting stakes up 123%* to 37% of total stakes; 55% of actives using mobile by Jun'12

Mobile Games and Casino revenues 20% and 19% of total revenues by Jun'12

Within B2B, PMU turnover growth of 76% versus market growth of 21%

BCLC launched in July

Opex growth ex new ventures and Euro 2012 marketing in line with 'top line' growth

Australia

€m	H1'12	H1'11	Change*
Amounts Staked	763	642	+10%
Net Revenue	67.2	47.0	+32%
<i>Sportsbook Gross Win %</i>	<i>9.1%</i>	<i>7.4%</i>	
Gross Profit	51.8	35.8	+34%
Operating Profit	13.2	9.8	+24%
<i>Active Customers**</i>	<i>178,000</i>	<i>131,000</i>	<i>+36%</i>

Strong and accelerated growth following investment in 2011:

- Online customer acquisition +73%
- Online active customers +37%
(Mobile actives 51% of total by Jun'12)
- Online amounts staked +24%*
(Mobile stakes up 17-fold)
- Online net revenue +42%*

Structural improvement in gross win %

Note: Australia also includes legacy telephone operations accounting for less than 5% of its gross and operating profit in H1'12

* In constant currency

** Active customers are defined as customers who have deposited real money and have bet in the reporting period

Irish Retail

€m	H1'12	H1'11	Change
Amounts Staked	474	483	(2%)
Net Revenue	57.0	50.6	+13%
<i>Sportsbook Gross Win %</i>	<i>12.2%</i>	<i>10.5%</i>	
Operating Profit	9.0	5.1	+79%
<i>Shops at period end</i>	<i>211</i>	<i>209</i>	<i>+1%</i>

Strong profit rebound with improved sports results

Like-for-like KPIs:

- Bet volumes +5%
- Amounts staked -3%
- Net revenue +12%
- Direct shop opex 0%

UK Retail

€m	H1'12	H1'11	Change*
Amounts Staked	257	177	+37%
Net Revenue Sportsbook**	25.2	17.0	+41%
<i>Sportsbook Gross Win %</i>	<i>10.8%</i>	<i>10.5%</i>	
Net Revenue Machine Gaming	22.5	15.6	+37%
Total Net Revenue	47.8	32.5	+39%
Operating Profit	7.6	4.7	+48%
<i>Shops at period end</i>	<i>185</i>	<i>142</i>	<i>+30%</i>

* In constant currency

** Sportsbook activity includes sports betting over-the-counter and via Self Service Betting Terminals ('SSBTs')

Like-for-like KPIs*:

- Sportsbook amounts staked +12%**
- Sportsbook net revenue +15%**
- Machine net revenue +5%
- Total net revenue +10%
- Direct shop opex 0%

Gross win percentage below normal range 11-13%

Further product development for SSBTs, FOBTs and gantries

20 shops opened, including 9 acquired

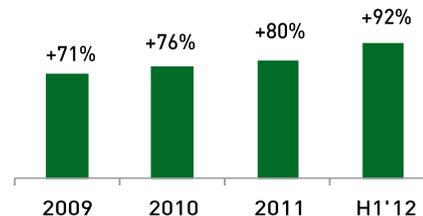
UK Retail: Significant Returns and Opportunity

1. Strong Shop Performance

	H1'12
LFL Net Revenue	+10%
H1'12 EBITDA Per Shop	£73K
Capital Cost Per New Shop*	£327K

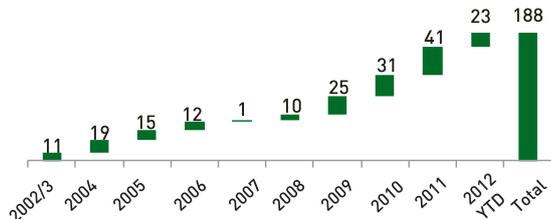
2. Outperformance Accelerating

Paddy Power sports stakes per shop vs quoted competitors



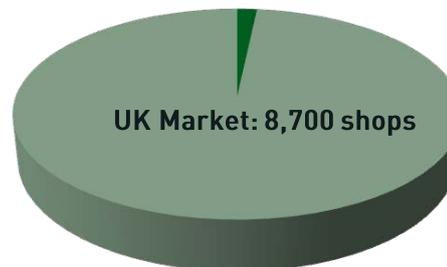
3. Accelerating Rollout

Shops opened by year



4. Significant Scope for Future Growth

Paddy Power: c.2%



* Includes acquisition costs, fit-out costs and lease premia

Telephone

€m	H1'12	H1'11	Change*
Amounts Staked	196	152	+25%
Net Revenue	11.4	8.5	+30%
<i>Sportsbook Gross Win %</i>	<i>6.2%</i>	<i>6.2%</i>	
Operating Profit	1.3	0.2	+341%
<i>Active Customers**</i>	<i>57,000</i>	<i>59,000</i>	<i>(3%)</i>

Strong UK growth offset decline in Ireland and drove increased profit:

	UK	IRL	Total
Turnover*	+45%	(7%)	+25%
Customers	(2%)	(4%)	(3%)
Bets	+10%	(1%)	+5%

Operating costs +18%* driven by:

- Growth in volumes
- Extended 24x7 opening hours
- SMS text betting promotion

Note: This division excludes legacy Australia telephone operations included within Online Australia Division

* In constant currency

** Active customers are defined as those who have deposited real money and have bet in the reporting period

Tax & Regulatory Developments

- UK**
- DCMS licence and HM Treasury online/phones tax review
 - Government expect implementation Dec'14 but timing/rate part of consultation
 - Culture, Media and Sport Committee note tax rate should discourage a grey market
 - Possible mitigation opportunities

- Ireland**
- Betting (Amendment) Bill 2012 published in July
 - 1% online/phones turnover tax
 - Year round retail evening opening

- Australia**
- RNSW case decided in March
 - Interim Review of Interactive Gambling Act published in May

- Italy**
- Slot games from December
 - Sports betting markets to be expanded

- Other**
- Granted Nevada 'Preliminary Finding of Suitability'
 - Likely removal of Canadian restriction on 'singles'
 - On going review of regulating markets



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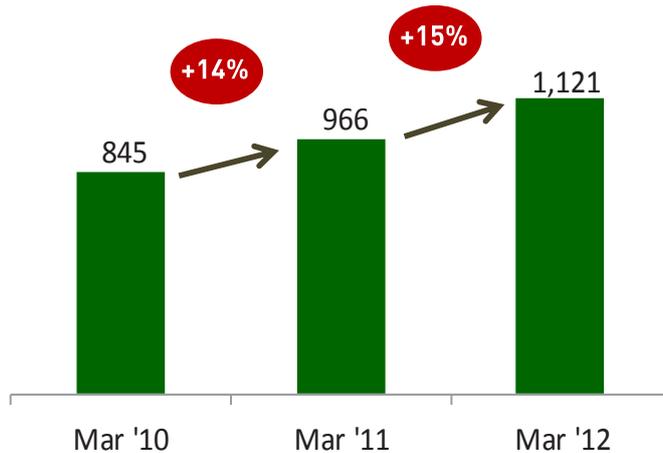
Strategy & Outlook

1. Market Dynamics
2. Investment
3. Payback
4. Conclusion

Market Dynamics – UK Online Sportsbook

1. Overall Market

Regular bettors ('000)

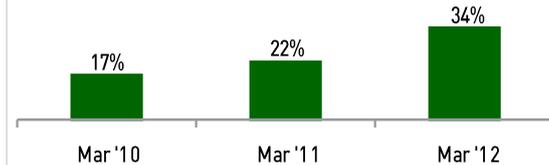


Source: Kantar Media Syndicated Online Gambling Research

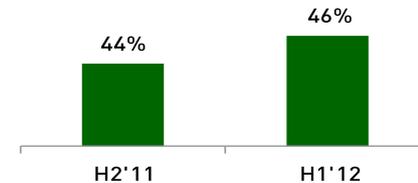
Base: c.10,000 each date

2. Paddy Power Share

% of market active on paddy.com*



paddy.com share of its customers' wallets**



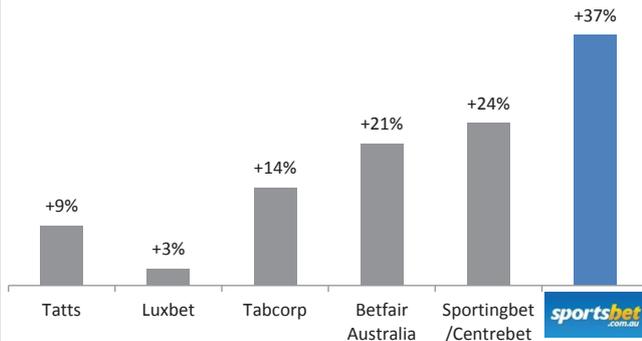
* paddy.com sportsbook UK active customers / total UK sportsbook market actives, per Kantar Media Syndicate Online Gambling Research

** Source: Paddy Power customer research using the Ipsos loyalty methodology
Base: c.4,000 each date

Market Dynamics – Australia Online

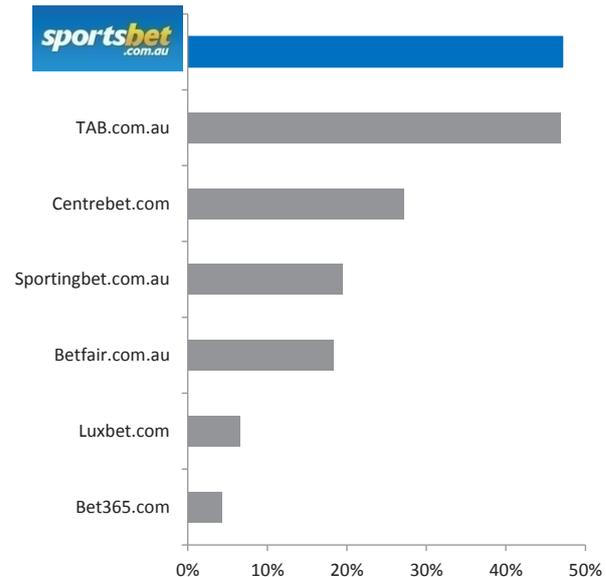
1. 'Top line' Growth

Online Growth Y/E 30 Jun '12*



* Competitor data sourced from public filings; Net revenue growth, except for Tatts, Luxbet and Tabcorp (turnover growth). Sportingbet/Centrebet y/e 31 Jul'12; Betfair Australia y/e 30 Apr'12

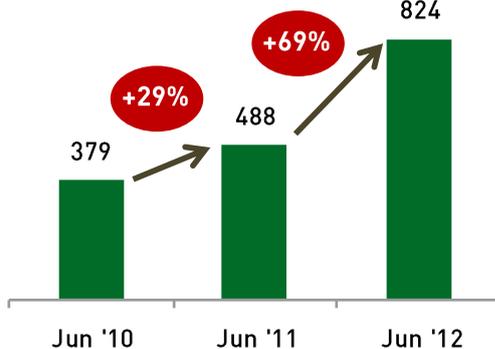
2. Brand Awareness



Source: Kantar Media Syndicated Online Gambling Research, Spontaneous Awareness, Jul'12
Base: c. 400

Investment: People

Growth in Online & Technology Staff



Areas of Investment

- Mobile product development
- Customer lifecycle analysis
- Online customer acquisition marketing
- Gaming development
- Social media
- IT security

Investment: Value

SACRE BLEU!
€3 MILLION
CHELtenham REFUND

We promised to refund losing bets on the Arkle if Sprinter Sacre won.
That's **€3,000,000** going back to our customers!

WHO WILL YOU BET WITH TODAY?

 **WE HEAR YOU!**
Paddy Power

facebook.com/paddypower [@paddypower](https://twitter.com/paddypower)

**Chelsea won the Cup,
Paddy bought the drinks.**

Paddy Power refunded over **£1 MILLION** to customers after Chelsea won the Champions League Final!

WHO WILL YOU BET WITH DURING EURO 2012?

 **WE HEAR YOU!**
Paddy Power

MONEY BACK
ON ALL LOSERS IF TIGER WOODS WINS THE MASTERS

ALSO PAYING 6 PLACES ON EACH WAY BETS

 **WE HEAR YOU!**
Paddy Power

08000 565 285 www.paddypower.com

Paddy Power Value: Great Prices, Justice Payouts, Extra Places.....and our signature Money-Back Specials

Investment: Brand



Uffington White Horse, 8 March 2012



Chav Tranquilizer advertisement
(1.7m YouTube views)



Ladies Day advertisement
(0.7m YouTube Views)



Black Caviar with Sportsbet attendant at Royal Ascot

Investment: Italy Online

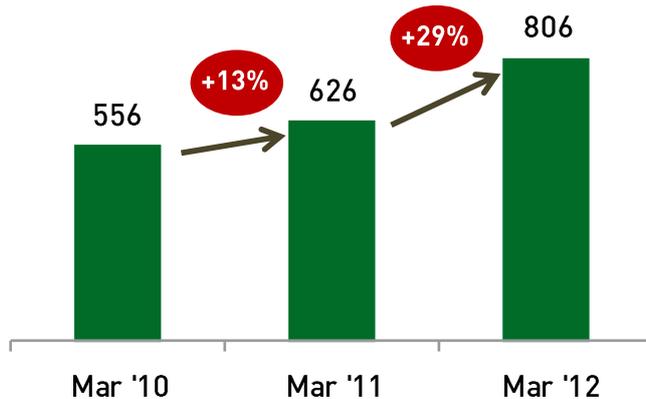
- Launched on schedule in May with sports betting
- Positioned as leading innovator
 - for betting product
 - for mobile
 - for social media
 - for customer service
 - for value
- Major investment and localisation
 - Dedicated Headcount: Rome (25) and Dublin (40)
 - Technology: OpenBet, streaming, mobile
 - Value: Money-Back Specials, odds, sign-up bonus
 - Marketing: PR, online, sponsorships, TV
- 4% market share in first full month



UK Casino Market Opportunity

1. Overall Market*

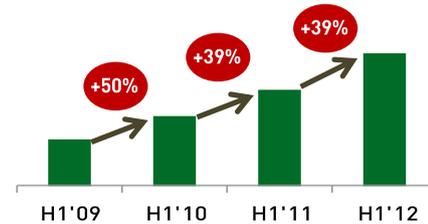
All bettors ('000)



* Source: Kantar Media Syndicated Online Gambling Research; Base: c.10,000 each date

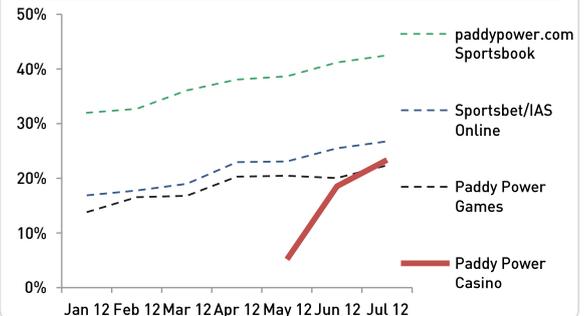
2. Paddy Power Casino/Games Growth

UK Net Revenue**



** In constant currency

3. Mobile Turnover as % Total



Investment: Product



ROLLER

“New mobile and tablet led casino product & brand”



BETDASH

“Proprietary sports betting based social game”



cayetano
GAMING

“Proprietary mobile & online games from Bulgarian subsidiary”



Common Themes:

- Mobile emphasis
- Social aspects
- Proprietary/exclusive period
- Further future applications

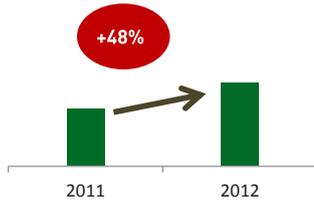


Payback: Online Momentum

Customer Acquisition

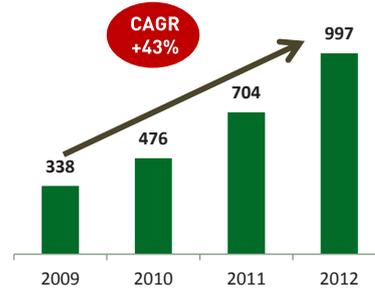
H1

paddypower.com



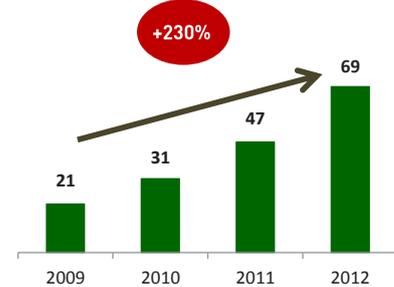
Active Customers

H1, '000

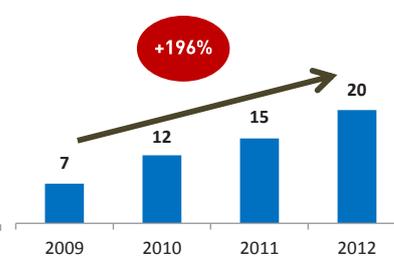
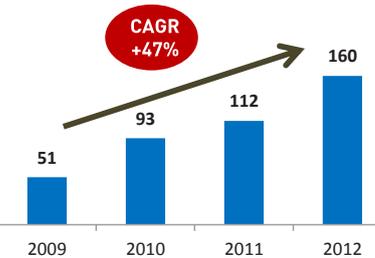
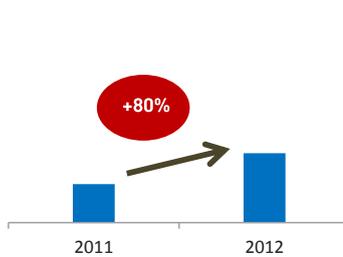


Bet Volumes

H1, millions

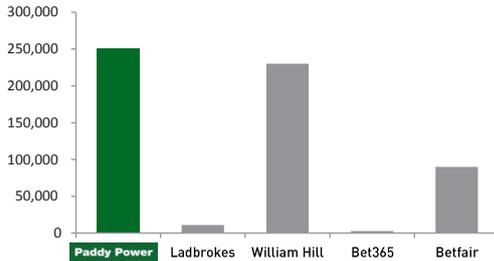


sportsbet.com.au

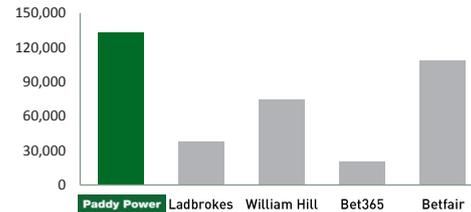


Payback: Brand

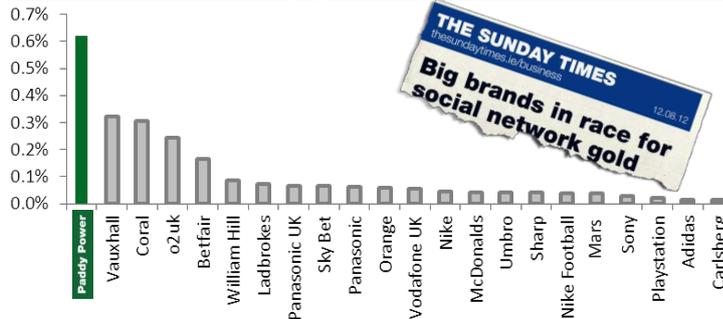
Facebook Fans Aug '12



Twitter Followers Aug '12



Euro 2012 Sponsor and Competitor Facebook Engagement Rates



Euro 2012 Social Media Share of Voice (during England vs Ukraine)



Source: Adobe Social research; engagement rate is the proportion of our fans who like, comment or share each post

Source: <http://www.arena-media.co.uk/>

Conclusion

Strong momentum in every division:

Online (ex Aus)	Customer acquisition	↑	48%
Online Australia	Customer acquisition	↑	73%
UK Retail	Operating profit	↑	61%
Irish Retail	Operating profit	↑	79%
Dial-a-Bet	Operating profit	↑	550%

Note: Growth comparisons are H1'12 versus H1'11



“The second half of the year has started well.

At the same time, the Group continues to invest at an increased rate for expansion.

The Board remains confident of the Group's prospects...”