



Paddy Power plc

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

Highlights

- 5% growth in operating profit; 10% growth in EPS
- Online growth offset less favourable sporting results, weaker sterling and economic conditions
- 48% (CC) growth in online EBIT;
Online >70% of Group EBIT in H2
- Profit from UK customers c.50% of Group EBIT in H2
- Challenging 2009 but satisfactory start

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Financial Highlights

€m	2008	2007	Change	CC*
Turnover	2,101	2,028	+4%	+9%
Gross win	283.7	279.0	+2%	+7%
Gross profit	253.7	242.4	+5%	+9%
Operating profit	75.7	72.1	+5%	+11%
Profit before tax	79.0	75.8	+4%	+14%
Profit after tax	66.4	62.8	+6%	
Adjusted FD EPS	137.8c	125.2c	+10%	
Dividends	54.0c	51.0c	+6%	

- Turnover growth of 9% in CC i.e. after adjusting for 14% sterling depreciation
- Group sportsbook gross win percentage 11.0% versus 11.5% in 2007
- Gross win growth (CC) of 7% comprising sportsbook 2% and gaming/machines 29%
- Operating cost growth of 9% (CC) driven by new shops / new businesses
- Effective tax rate of 16.0%, 1.2% below 2007 rate; expected 2009 rate c.14%
- 10% EPS growth boosted by share buyback

* Percentage change presented in constant currency ('CC') i.e. change calculated with foreign currency component in 2007 translated at 2008 exchange rates
 Note: Financials above and unless otherwise stated exclude a 'once-off' exceptional gain in 2008 of €2.7m pre tax and €2.5m after tax

Gross Win to Gross Profit

€m	2008	2007	Change	CC
Gross win	283.7	279.0	2%	7%
Betting and gaming taxes	(12.9)	(18.3)	(30%)	
Software supplier costs	(10.5)	(8.7)	21%	
Other	(6.6)	(9.6)	(31%)	
Gross profit	253.7	242.4	5%	9%

Cash Flow

€m	2008	2007
Operating profit - including exceptional	78.4	72.1
Depreciation and disposals	17.3	21.1
Employee share schemes	6.9	6.2
Working capital	5.9	13.5
Maintenance capex	(5.4)	(4.9)
Operating cashflow	103.1	108.0
Enhancement capex	(11.9)	(10.5)
Acquisitions	(23.6)	(5.4)
Share issues and interest	4.0	4.5
Corporation tax	(13.1)	(14.1)
LTIP share purchases	(11.6)	(6.7)
Dividends	(25.9)	(19.5)
Purchase of own shares	(28.6)	(54.2)
Foreign currency	(3.6)	(1.3)
Net (decrease) / increase in cash	(11.2)	0.8
Cash at year end	76.7	87.9

Capital Expenditure

€m	'Maintenance'	'Enhancement'	Total
Irish Retail	2.9	6.0	8.9
UK Retail	0.5	3.0	3.5
Non Retail & HO	2.0	2.9	4.9
Total	5.4	11.9	17.3

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

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Divisional Summary

Turnover

€m	2008	2007	CC
Online	695	630	+21%
Irish Retail	935	930	+1%
UK Retail	174	171	+18%
Telephone	297	297	+6%
Total	2,101	2,028	+9%

Gross Win

Online	106	95	+22%
Irish Retail	124	126	-1%
UK Retail	33	31	+22%
Telephone	21	27	-18%
Total	284	279	+7%

Operating Profit

Online	42.8	32.0	+48%
Irish Retail	28.3	34.6	-18%
UK Retail	1.2	(0.9)	n/a
Telephone	3.4	6.4	-42%
Total	75.7	72.1	+11%

2008 Gross Win By Week – Lowest to Highest

€m

12

10

8

6

4

2

0

Low gross win week example:



High gross win week example:



Average
€5.4m



€m	2008	2007	CC
Turnover	694.9	629.7	+21%
Gross Win Sportsbook	58.6	54.1	+17%
<i>Sportsbook Gross Win %</i>	<i>9.1%</i>	<i>9.2%</i>	
Gross Win Gaming	47.1	40.7	+28%
Total Gross Win	105.7	94.8	+22%
Gross Profit	91.2	75.4	+31%
Operating Profit	42.8	32.0	+48%
<i>Active Customers*</i>	<i>180,316</i>	<i>145,575</i>	<i>+24%</i>

- Sportsbook customers up 24% and bet volumes up 37%
- Average stake per bet down 12% (CC)
- Gaming gross win growth driven by Games/Casino plus newer businesses
- Gross profit growth boosted by tax and regulatory changes effective Sep '07
- Operating margin up 7% to 41%
- Market continues to be competitive evidenced by lower expected sportsbook gross win percentage (7-8%) and Poker
- Good Sports Risk Management gross win percentage and operating profit

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

Irish Retail

€m	2008	2007	Change
Turnover	935.4	930.0	+1%
Gross Win	124.3	126.1	-1%
<i>Sportsbook Gross Win %</i>	<i>13.3%</i>	<i>13.6%</i>	
Gross Profit	114.4	116.5	-2%
Operating Profit	28.3	34.6	-18%
<i>Shops at year end</i>	<i>191</i>	<i>178</i>	<i>+7%</i>

- Like-for-like: turnover (5%), gross win (7.5%)
- Significant competitor openings and slower post May, particularly when racing cancellations
- Favourable results but not as strong as 2007 (impact -€2.5m)
- Operating cost growth limited to 5% despite 10% increase in average number of shops
- 13 new shops opened

UK Retail

€m	2008	2007	CC
Turnover	173.6	171.5	+18%
Gross Win OTC	20.1	20.2	+16%
<i>Sportsbook Gross Win %</i>	<i>12.5%</i>	<i>12.6%</i>	
Gross Win Machines	12.4	10.8	+33%
Total Gross Win	32.5	31.0	+22%
UK Operating Profit*	1.2	(0.9)	
<i>Shops at year end</i>	<i>68</i>	<i>58</i>	<i>+17%</i>

GB Shop EBITDA	8.2	8.1	+22%
Shop Depreciation	(4.0)	(4.1)	-2%
GB Shop EBIT	4.2	4.0	+60%
Central Overhead	(3.7)	(3.7)	+16%
GB Trading Profit	0.5	0.3	

- LFL gross win growth (CC): 10%, OTC 1% (Turf TV), machines 28%
- Average drop per machine per week in Great Britain (GB) £922, up 27% aided by longer opening hours and new content
- EBITDA per shop in GB up 17% (CC) to €140K
- Reduced capital cost of new openings and leveraging central overhead investment
- 3 shops opened in Glasgow year to date

* Operating profit in 2007 is shown after a €1.2m provision for shop closure costs

Telephone

€m	2008	2007	CC
Turnover	297.1	296.6	+6%
Gross Win	21.1	27.0	-18%
<i>Sportsbook Gross Win %</i>	<i>7.1%</i>	<i>9.1%</i>	
Gross Profit	21.1	24.8	-11%
Operating Profit	3.4	6.4	-42%
<i>Active Customers*</i>	<i>24,092</i>	<i>21,481</i>	<i>+12%</i>

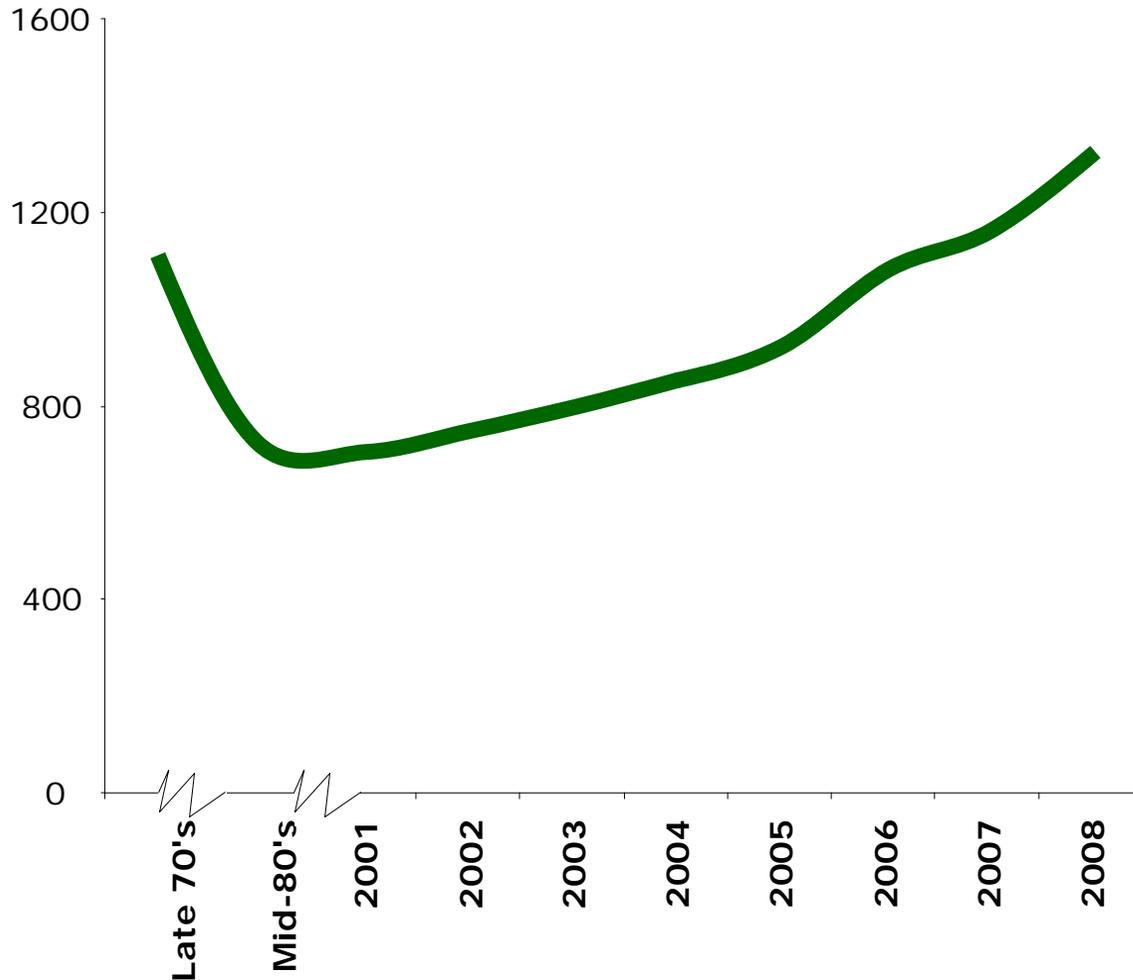
* Active customers defined as those who have bet in the last 3 months

- Customers up 12% and bet volumes up 13%
- Average stake per bet down 6% (CC)
- Top line driven by very competitive pricing and new High Stake Unit
- Growth offset by migration online and economy
- Total costs reduced by €2.9m
- Gross win percentage down 200bps (impact -€5.9m)

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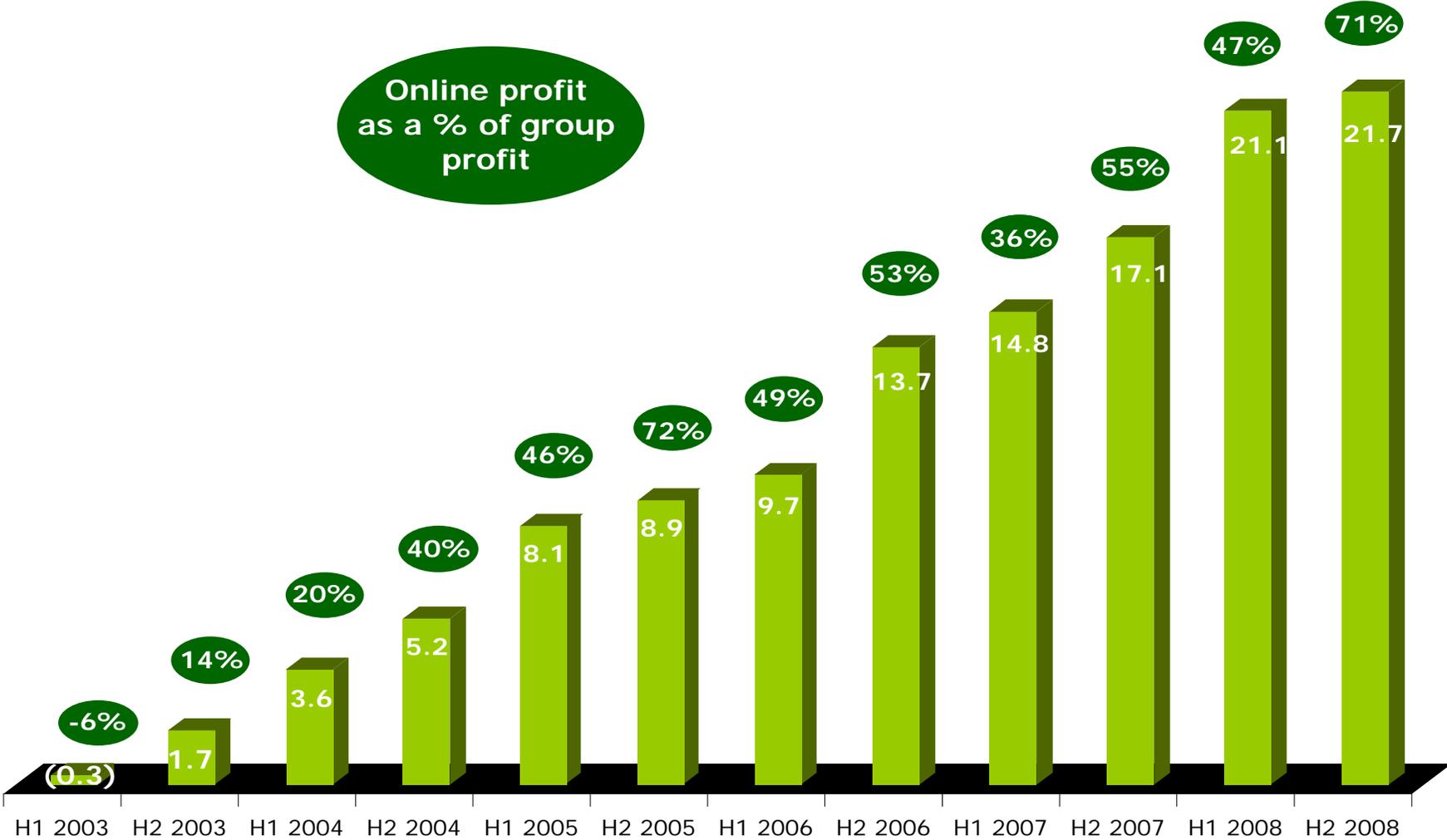
Irish Retail

Number of shops in Republic of Ireland



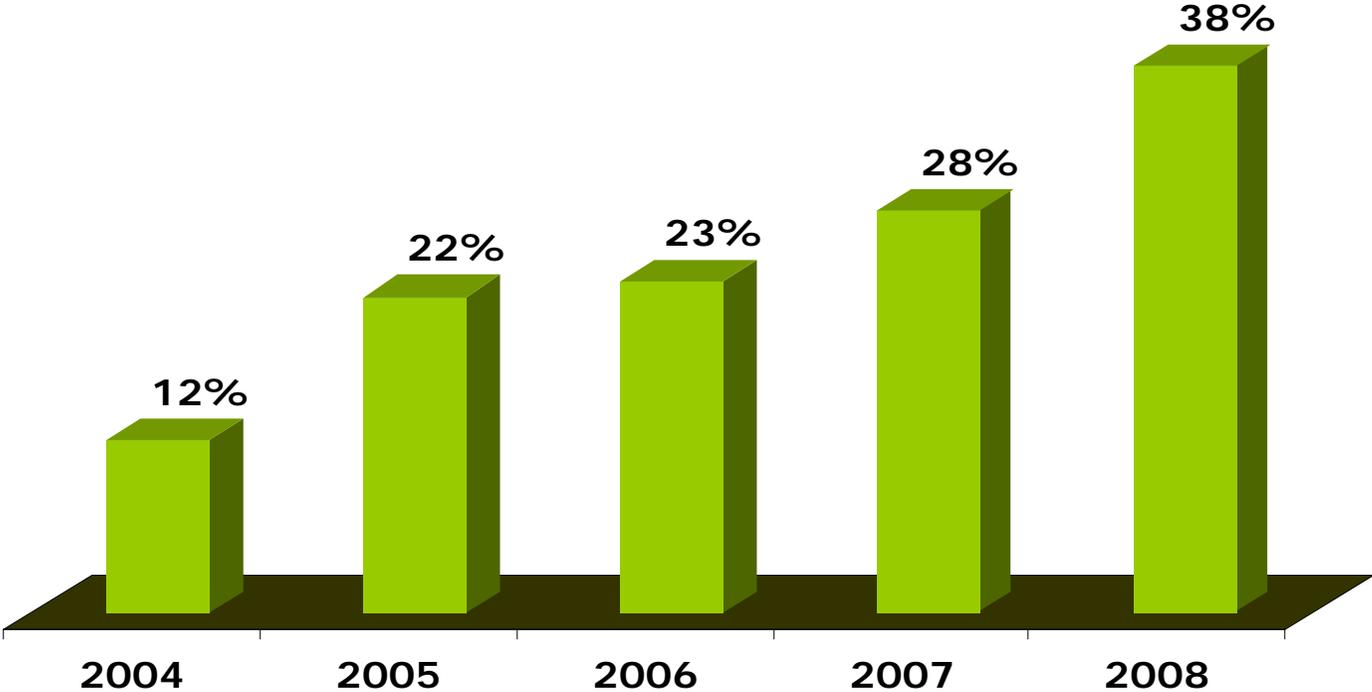
- Shop numbers have materially decreased before
- Operators decided to close some 40 shops in last number of months
- Industry tax to double on 1 May 2009
- Paddy Power's turnover per shop is double industry average

Online Profit Growth



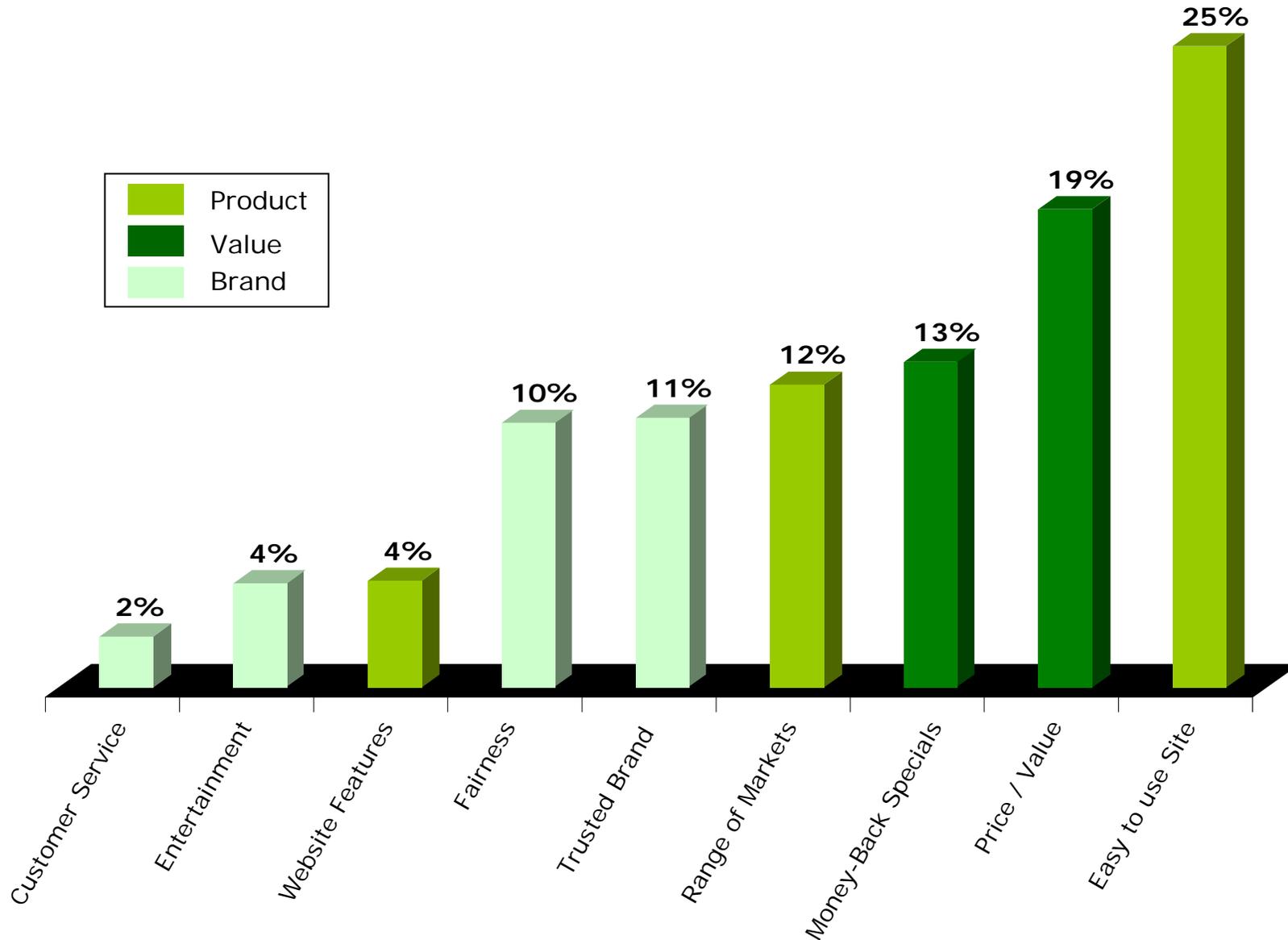
UK Profit Growth

EBIT from UK Customers as % of Group EBIT (CC)



(Online and telephone EBIT by geography based on average divisional profit margins applied to UK revenues)

Reason to bet with paddypower.com



Value

Strategic Pricing Policy

- Guaranteed prices
- 106% Football

Money Back Specials / Extra Places

- Ronaldo Champions League Final
- 10% Grand National bonus; plus 5 places
- Cheltenham money back all fallers
- 7 places in British Open

Random Acts of Fairness / Fun

- Early payout on Obama (twice)
- Paid Ken Egan (Olympic boxer) as a winner
- Early payout on Lisbon Referendum (doh!)
- Refunded on Munster (vs. All Blacks)
- Early payout on Stoke City Relegation (Sep)
- Early Premiership payout on Man. Utd. (Apr)
- Free bets on Christmas Day



WE'VE GONE CRAZY!

If your horse falls in ANY race at Cheltenham, we'll refund your losing single bet. (e.g. Kauto Star or Denman or any other horse in any race for that matter!)

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Read the rules, please. Free bets from 100p each day of the Festival. Festival tickets only. 18+ only. Some places, 12 only. The publication code at the top of the back of these offers. *Subject to early payout after 8pm, Saturday 01. **Subject to early payout after 10pm, Monday, 02/04/2012. Some places, 12 only.



RUSSIAN ROULETTE
MAN UTD V CHELSEA - WED. 7.45PM ITV1/SS1/RTE2



Product

New Betting Markets

- >20 new football leagues
- Streamed online pictures for 4,000+ events
- Last Man Standing
- New tennis model
- More frequent financial markets
- Every state in U.S. presidential election
- New virtual horse racing product

Enhance Product Delivery

- Revamped betting-in-running
 - New online betslip
 - New racing and soccer pages
 - 'Flash' poker option
 - Revamped bingo site
 - Redesigned screens
 - Second audio studio
- Online Sports
- Online Gaming
- Shops



Brand: Non-Traditional Betting Markets

Recession Betting - Airlines, Banks, Riots!

Next Airline to go BUST?
Booked a flight? Don't sweat, insure with Paddy Power

3/1	FlyGlobespan	33/1	JetBlue
4/1	Spanair	66/1	BMI
7/1	Air Berlin	66/1	Aer Lingus
12/1	SkyEurope	100/1	BA
14/1	Wizz Air	100/1	EasyJet
18/1	Jet2	100/1	Ryanair
25/1	United Airlines	100/1	Virgin Atlantic

See paddypower.com for full list
Applies to first airline going into administration. gambleaware.co.uk
Odds subject to fluctuation - no kidding!

paddypower.com

Betting on the Existence of God



American Election Betting

Newsweek

NEWS POLITICS TECH / BUSINESS CULTURE / IDEAS HEALTH VOICES SITE GUIDE

Stumper
BY ANDREW ROMANO

STUMPER HOMEPAGE WHAT'S STUMPER? TAMCAM THE RUCKUS

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Poltech
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Battleground Florida

Posted Friday, October 17, 2008 2:34 PM
Irish Bookies: U.S. Election Is Over

By Joanna Heath The U.S. election is less than 3 weeks away, but some believe it's a done deal - and are willing to bet more than \$1.3 million on it. On Thursday, Paddy Power PLC, Ireland's largest betting agency, announced that it was so confident in the outcome of the election that it would pay out over 1 million euros (\$1.3 million) on bets already made that Barack Obama will become the next president of the United States. Should it get its prediction wrong--and it has made mistakes before - Paddy Power will be obliged to honor bets also made in favor of John McCain (currently running at odds of 5-1 against).

October 17, 2008 | Barack Obama | By Newsweek
<http://blog.newsweek.com/blogs/stumper/archive/2008/10/17/irish-bookies-u-s-election-is-over.aspx>

theguardian

THE TIMES

The New York Times

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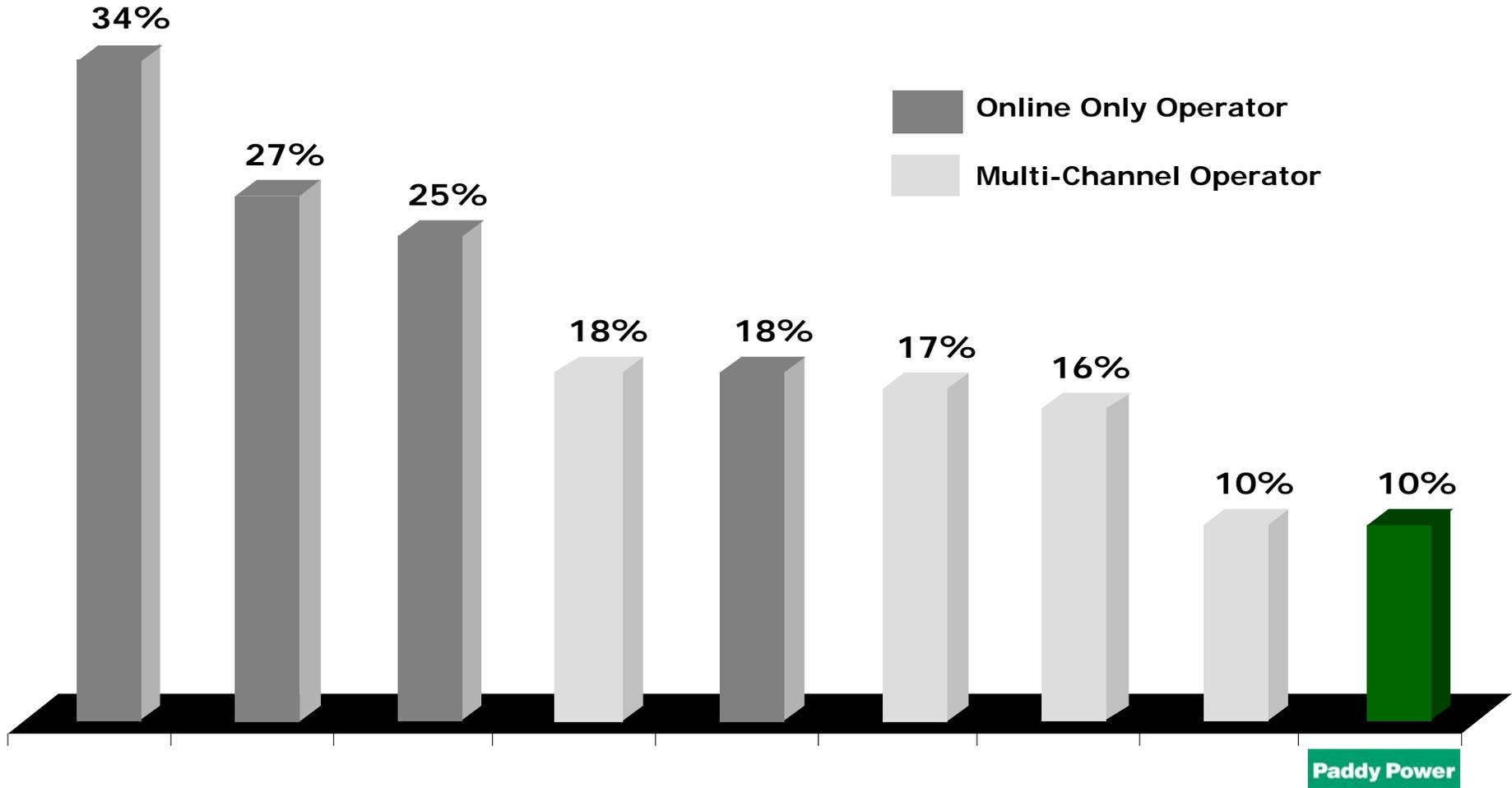
AP Associated Press

REUTERS

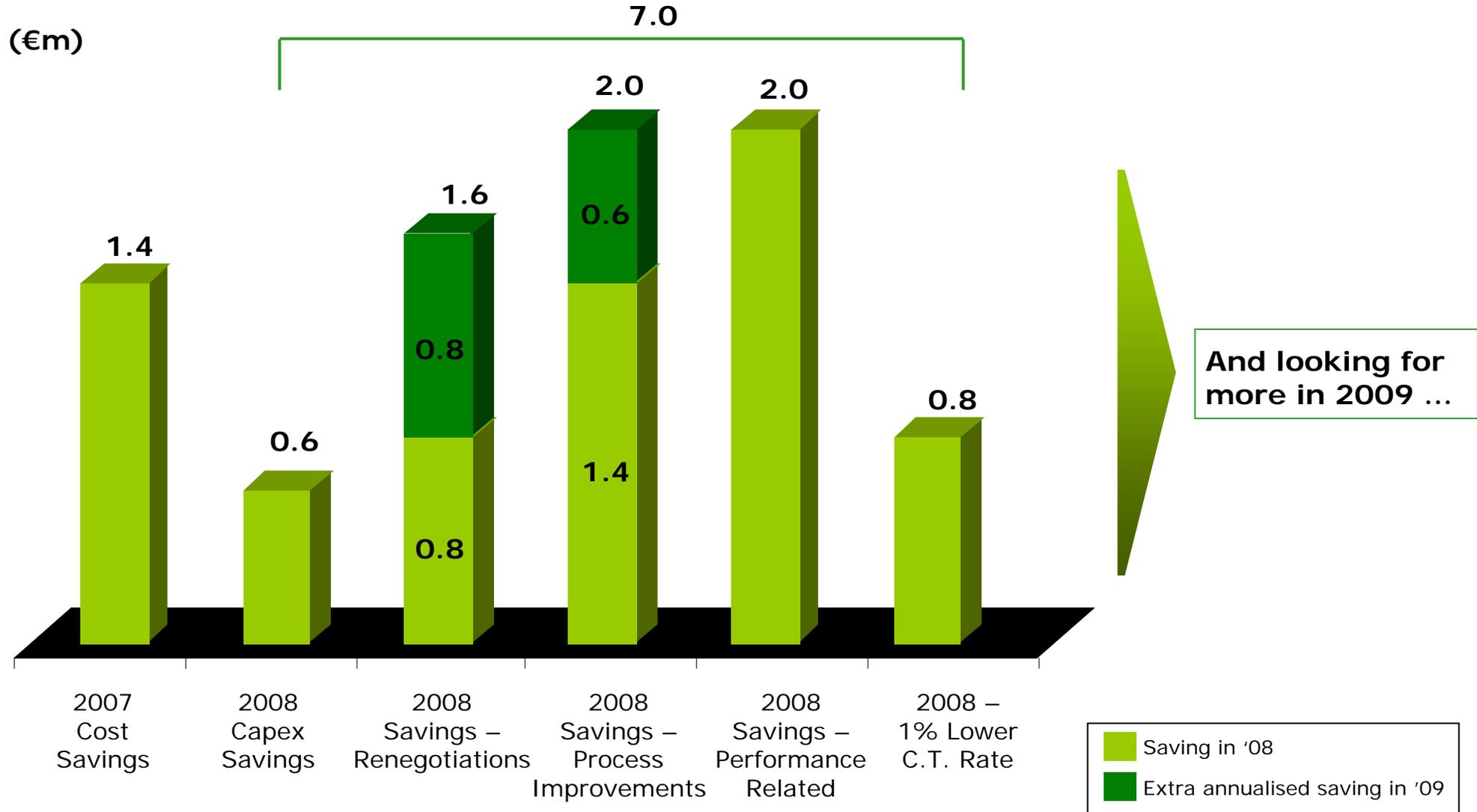
CBS

Brand Benefit: Best UK Online Customer Loyalty

% of UK Bookmaker Customers who Switched their Main Account in Last 12 Months



Costs



Attractions of UK Betting & Gaming Market

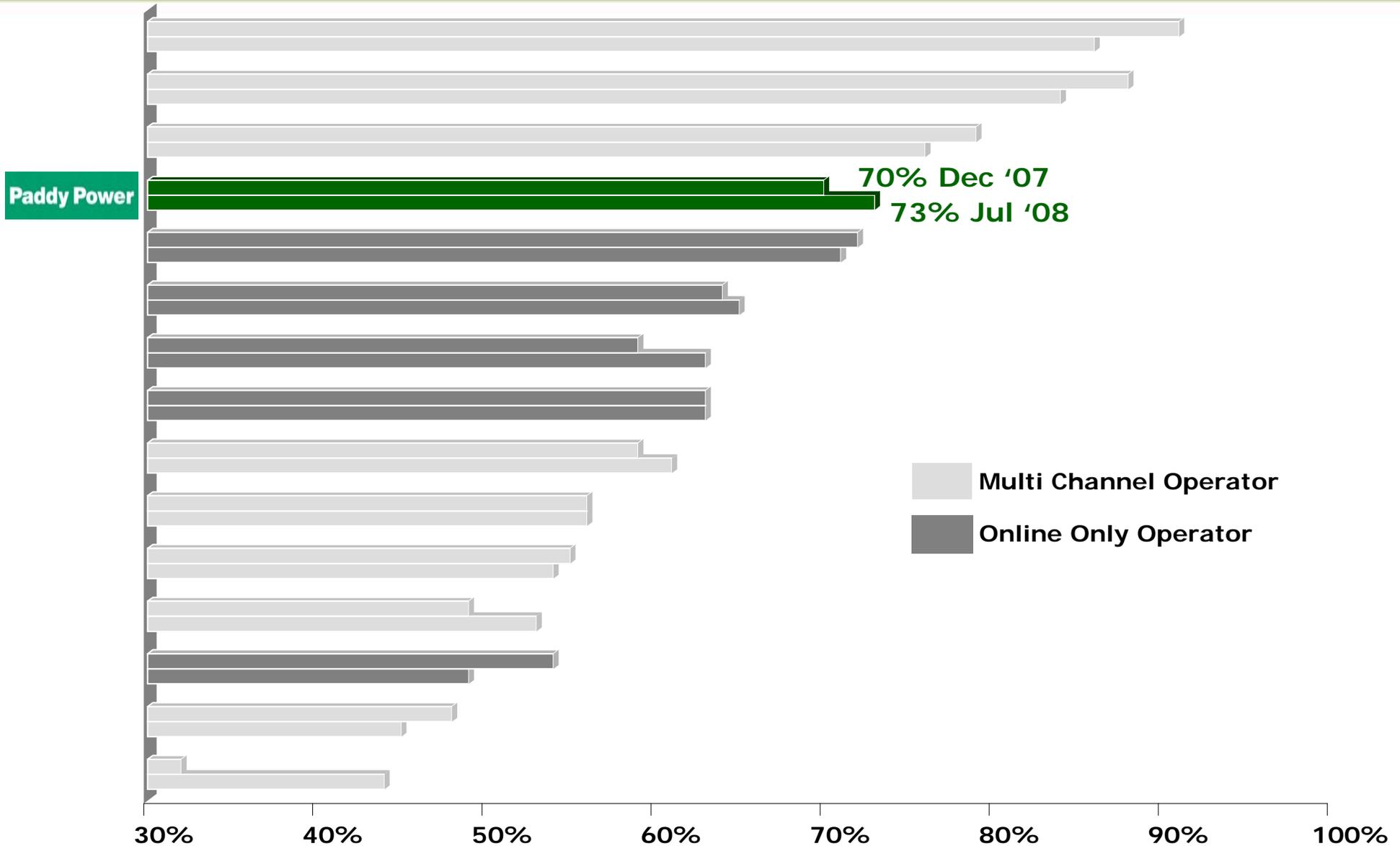
MARKET

- Large
- Growing
- Legal
- Sports betting culture

PADDY POWER SPECIFIC

- Physical proximity
- Similar product
- Our brand works there
- Strong track record

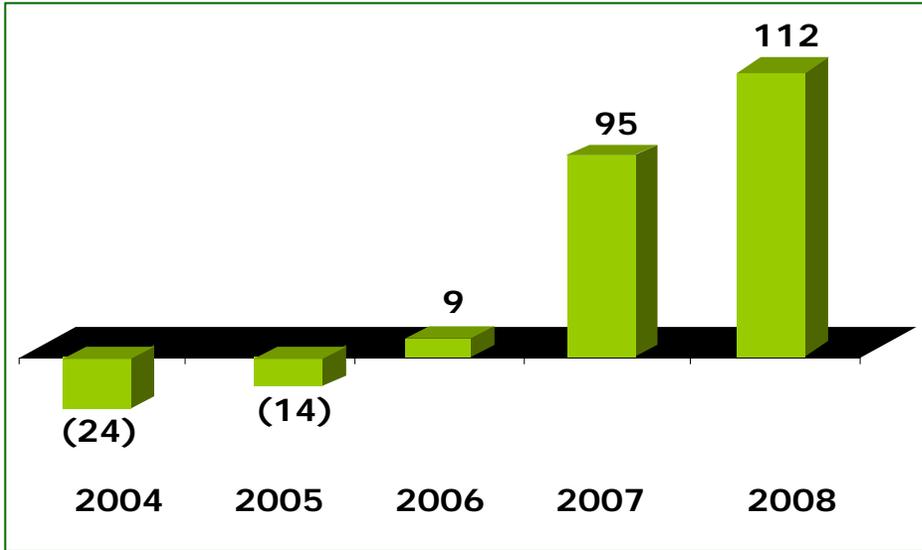
Brand Benefit: High & Growing UK Brand Awareness



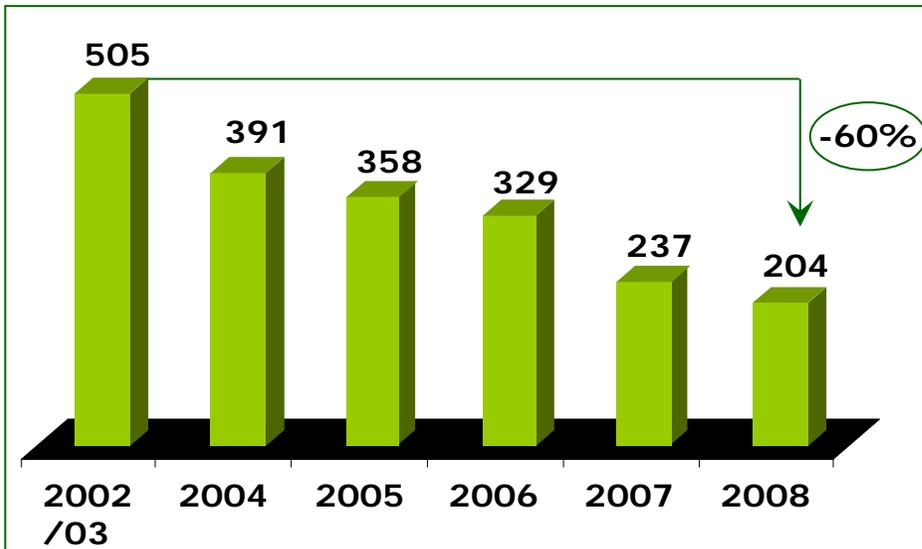
(Base : 1336 Regular Online Bettors)

UK Retail: Return on Capital

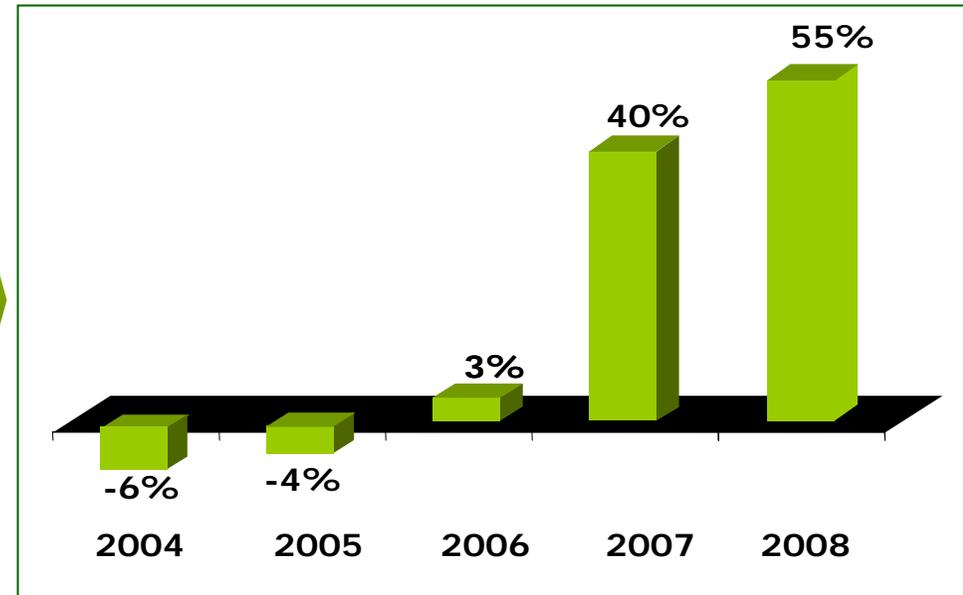
EBITDA Per Shop (Stg £'000)



Total Cost Per New Shop (Stg £'000)



EBITDA Per Shop / Capital Cost Per New Shop



New Business Development

2008 Developments

- Opened 13 shops in Ireland
- Glasgow and Manchester
- electionbetting.com
- Improved financial betting product
- Sports risk management
- Considering B2B opportunities
- Northern Ireland
- Evaluating other opportunities
- Financial spread betting

New Business Development

Expansion in existing geographies

Accessing other betting market segments

Deeper use of existing resources

Geographic expansion

Brand stretch

- **Headwinds projected to reduce 2009 profits, as reflected in consensus**
 - Expected reduction in sportsbook gross win percentages
 - Doubling of Irish Retail betting tax (-€6m to €7m in 2009)
 - Continued sterling weakness (-c.€3m net of \$)
 - Contraction in the Irish and UK economies

- **In this context, satisfied with progress in the first two months**
 - Sportsbook amounts staked (CC):
Non Retail +15%, Retail -5%, including cancellations impact
 - Non sportsbook gross win (CC): +9%

- **The Board remains confident of the Group's prospects**