

2015 INTERIM RESULTS



MISSING:



Pair of balls.

If found please return to the English cricket team.

#MissingBalls

sportsbet



**TIOCFADH
AR LA**

YES 1/10
NO 5/1

PADDYPOWER.



PADDYPOWER.
YOU'RE WELCOME!



HIGHLIGHTS

CHEVROLET

10

SAMSUNG

ETIHAD AIRWAYS

21

Fly Emirates

HIGHLIGHTS



Operating profit +33% to €80m (+68%* before new taxes)

Revenue up 25%*, strong double digit growth across all Online & Retail divisions

€441m returned to shareholders; interim dividend +20% to 60c per share

Substantial strategic progress; releasing new proprietary apps in Q4

Upgraded outlook for 2015 operating profit growth



**FINANCIAL &
OPERATIONAL REVIEW**

FINANCIAL HIGHLIGHTS



- Net revenue growth of 25%*
 - Sportsbook +28%
 - Gaming & B2B +17%
- Net revenue % up due to channel mix & structural benefits. Sports results below expectations
- Operating cost growth of 16%*, below revenue growth of 25%*
- Operating profit +68%* before €32m in new taxes & product fees
- Effective tax rate of 15% (2014: 13%)
- Interim dividend up 20%

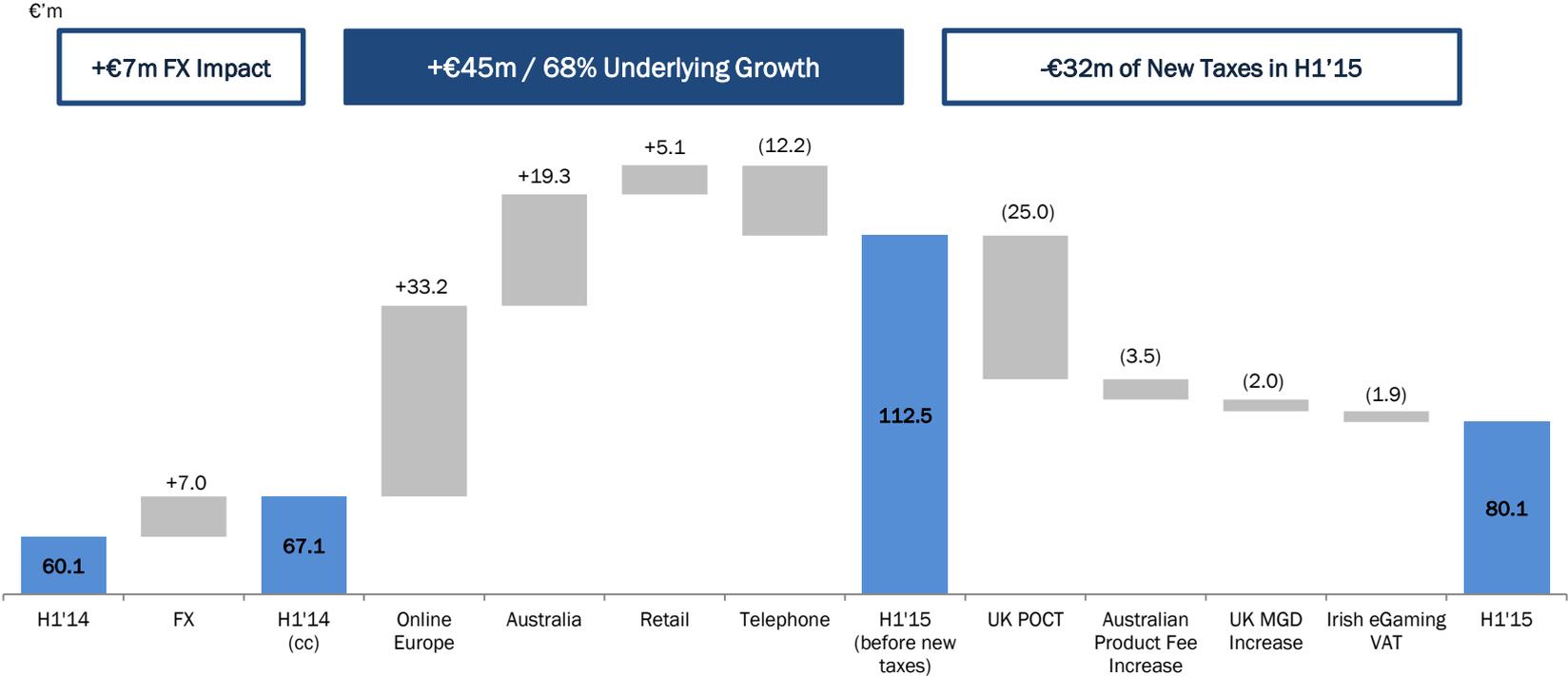
€M	H1'15	H1'14	CHANGE	CC* CHANGE
Sportsbook Amounts Staked	4,316	3,422	+26%	+18%
Net Revenue	528	396	+33%	+25%
Sportsbook Net Revenue %	9.0%	8.4%		
EBITDA	106.1	83.7	+27%	+17%
Operating Profit	80.1	60.1	+33%	+19%
Profit Before Tax	80.5	61.6	+31%	+17%
Diluted EPS	144.8c	110.6c	+31%	+16%
Dividends	60.0c	50.0c	+20%	

* Change in constant currency ('CC') with foreign currency component in H1'14 translated at H115 exchange rates

GROUP OPERATING PROFIT BRIDGE



+€20m / 33% Profit Growth to €80m



DIVISIONAL OVERVIEW



DIVISION	SPORTSBOK AMOUNTS STAKED (€M)		NET REVENUE (€M)		OPERATING COSTS (€M)		OPERATING PROFIT (€M)	
	H1'15	CHANGE*	H1'15	CHANGE*	H1'15	CHANGE*	H1'15	CHANGE*
Online Europe	1,654	+9%	200	+26%	115	+10%	31.6	+21%
Online Australia**	1,331	+37%	151	+46%	75	+34%	38.8	+69%
UK Retail	457	+16%	108	+21%	65	+18%	12.0	+3%
Irish Retail	596	+9%	71	+14%	53	+10%	10.6	+36%
Telephone	277	+26%	(3)	n/a	10	(0%)	(12.9)	n/a
Total	4,316	+18%	528	+25%	318	+16%	80.1	+19%

* In constant currency

** Australia also includes telephone operations accounting for less than 10% of its gross & operating profit

ONLINE EUROPE



- Sportsbook stakes +9%*, or +14%* ex World Cup despite:
 - Substantially increased winnings from customers
 - Curtailment of low value customer acquisition
- paddypower.com customer acquisition +12%, ex World Cup & Grand National
- Sportsbook net revenue +37%*
- eGaming +14%* driven by proprietary content (22% of revenues) & mobile (55% of revenues)
- paddypower.it losses substantially reduced with net revenue +24% and operating costs down 19%
- Overall operating profit up 21%* or 127%* before €28m of new taxes

€M	H1'15	H1'14	CHANGE	CC* CHANGE
Sportsbook Amounts Staked	1,654	1,399	+18%	+9%
Sportsbook Net Revenue	119.1	81.7	+46%	+37%
Sportsbook Net Revenue %	7.2%	5.8%		
Gaming/B2B Net Revenue	80.9	66.2	+22%	+14%
Total Net Revenue	200.1	147.9	+35%	+26%
Operating Profit	31.6	22.0	+44%	+21%
Operating Loss - Italy	(4.7)	(8.9)		
Active Customers (000's) **	1,373	1,446	(5%)	

* In constant currency

** Active customers throughout are defined as those who have deposited real money & have bet in the year, excluding indirect B2B customers

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ONLINE AUSTRALIA



- Accelerated growth
 - Stakes +37%*
 - Net revenue +46%*
 - New customers +23%
- Mobile stakes up 81%* to 64% of online stakes; 84% of actives used mobile in June
- Structural improvement in net revenue %
- Operating margin expansion up 4%* to 26%, despite increased product fees

€M	H1'15	H1'14	CHANGE	CC* CHANGE
Online Sportsbook Amounts Staked	1,223	838	+46%	+39%
Total Sportsbook Amounts Staked	1,331	925	+44%	+37%
Net Revenue	151.5	98.6	+54%	+46%
Sportsbook Net Revenue %	11.4%	10.7%		
Gross Profit	114.2	75.5	+51%	+44%
Operating Profit	38.8	21.8	+78%	+69%
Online Active Customers (000's)	462	346	+34%	

UK RETAIL



- Like-for-like KPIs*
 - Sportsbook stakes +5%
 - Sportsbook net revenue +9%
 - Machine gaming net revenue +8%
 - Total net revenue +9%
 - Opex +3%
 - Operating profit +6%
- '£50 journey' impact in line with our expectations for mid-single digit % decline; Q2 machine revenue growth +3%
- Profits also impacted by €2m additional MGD**
- 14 shops opened, including 2 acquired; 1 closure

€M	H1'15	H1'14	CHANGE	CC* CHANGE
Sportsbook Amounts Staked	457	349	+31%	+16%
Sportsbook Net Revenue	49.9	36.8	+36%	+21%
Sportsbook Net Revenue %	10.9%	10.5%		
Machine Gaming Net Revenue	58.4	42.9	+36%	+22%
Total Net Revenue	108.3	79.6	+36%	+21%
Operating Profit	12.0	9.5	+26%	+3%
Shops at Period End	334	299	+12%	

* In constant currency

** Machine Gaming Duty; rate increased from 20% to 25% from 1 March 2015

*** Self Service Betting Terminal

IRISH RETAIL



- Profits +36%* driven by strong revenue growth in existing estate and increased new openings
- Like-for-like KPIs impacted in part by increased evening openings
 - Amounts staked +5%
 - Net revenue +10%
 - Opex +7%*
- 7 new shops opened, including 6 acquired
- Acquisition of further 6 shops agreed

€M	H1'15	H1'14	CHANGE	CC* CHANGE
Sportsbook Amounts Staked	596	548	+9%	+9%
Net Revenue	71.3	62.4	+14%	+14%
Sportsbook Net Revenue %	11.9%	11.4%		
Operating Profit	10.6	8.6	+23%	+36%
Shops at Period End	250	239	+5%	

* In constant currency

CASH FLOW & CAPITAL STRUCTURE



- New capital structure:
 - €391m (€8/share) cash return
 - €245m drawdown from €300m debt facility (all-in cost at current rates c1.5%)
- Net debt at 30 June €147m (0.7x 2014 EBITDA)
- Board's intention to maintain net debt of 0.5-1.0x prior year EBITDA via:
 - Ongoing investment
 - Regular dividends
 - Opportunistic share buybacks

€M	H1'15
EBITDA	106.1
Maintenance capex	(10.1)
Working capital	18.2
Tax & other	(24.2)
Operating cashflow after tax	90.0
Enhancement capex (incl. €3m retail acquisitions)	(22.0)
Cash returns to shareholders	(439.9)
Other (incl. movement on customer balances)	7.1
Net Cash outflow	(364.8)
Net Cash at 31 Dec 2014 (ex cust balances)	217.9
Net Debt at 30 Jun 2015 (ex cust balances)	(146.9)

H1'15 operating cashflow
132% of profit after tax
(5 years 2010-2014: 133%)

New shop openings &
technology for product
development

Includes +€10m FX
translation impact on cash
balances

Comprises:
Gross Cash €170m less
Customer Balances €72m less
Gross Debt €245m



**STRATEGY &
OUTLOOK**

STIHAD
AWA

QuickBooks

SAMSUNG

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MARKET CONTEXT



Global Market Dynamics

Online Growth
Outpacing Retail

Future Growth
All in Mobile

Sportsbetting
Biggest Segment

PP Exceptionally Well Positioned

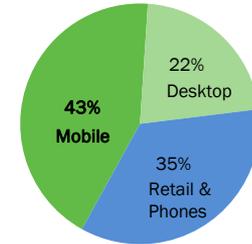
Predominantly Online

PP H1'15 Group Operating Profit (ex Telephone)



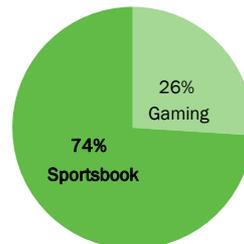
High Exposure to Mobile

PP H1'15 Group Net Revenues



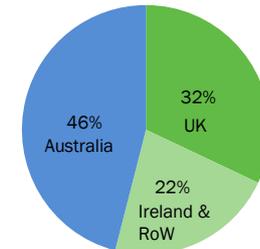
Sportsbook Led

PP H1'15 Group Net Revenues



Geographic Diversity

PP H1'15 Group Operating Profit (ex Italy)



STRATEGY OVERVIEW



Three Key Elements

PRODUCT DIFFERENTIATION

- Intuitive customer experience
- Innovation
- Increased in-house development

DISTINCTIVE BRANDS & MARKETING CAPABILITY

- Entertaining & engaging
- Sells product advantage
- Digital marketing expertise

LEADERSHIP IN LARGE, REGULATED MARKETS

- Scale positions
- Potential to grow share
- Long-term profitability
- Virtuous cycle of growth

Clear Accountability & Focused Execution

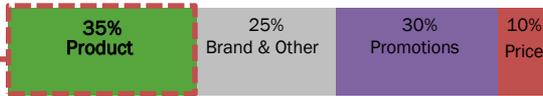
PRODUCT DIFFERENTIATION



Customer Priorities Dictate Our Strategy

Product is Key to Customers

Most Important Factors for Choosing Bookmaker



Product
Drivers of Customers Mobile Sportsbook Satisfaction

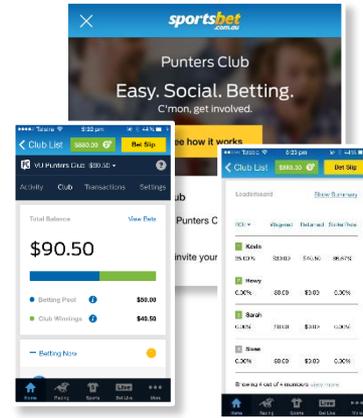


Ease of Use & Speed
Key Product Attributes for Customers

Source: Consumer surveys, internal analysis

Transformation in Sportsbetting Experience with New Product Releases

Sept 2015



Q4 2015



Native iOS App



HTML 5 Web App

New Apps:

- Hugely improved customer navigation
- Find & place bets quicker
- Faster, slicker & more responsive
- Front-end entirely proprietary
- Designed to increase speed & flexibility of releases & updates

Sportsbet Punters Club:

- Original, compelling product
- Makes setting up & managing a betting club simple, secure & fun

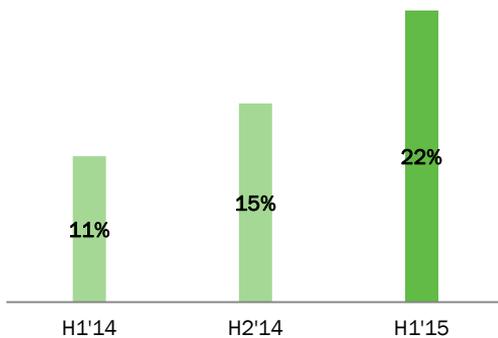
PRODUCT DIFFERENTIATION



Proprietary Gaming Product

Increasingly Material

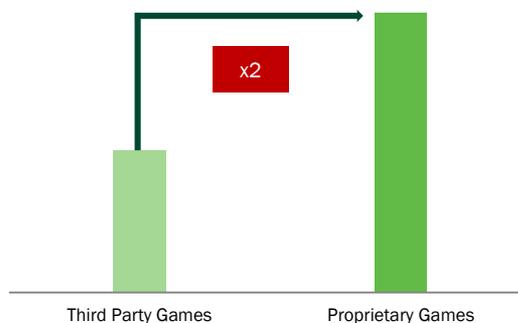
Proprietary Games % of PP.com Gaming Revenues



Now Available in Italy & UK Retail

High Quality Content

PP.com H1'15 monthly revenue per game



Bonus Engine Management System

- IP ownership provides ability to intelligently promote product using customer analytics

Benefits

- Differentiated & exclusive product
- Simultaneous cross-channel releases
- Improves sports to gaming cross-sell

DISTINCTIVE BRANDS & MARKETING CAPABILITY



Optimised & Efficient Brand Investment

Australia

- Materially increased spend to take advantage of competitors rebranding
- Extended No.1 brand awareness position

Online Europe

- Leading TV packages secured for 15/16 football season



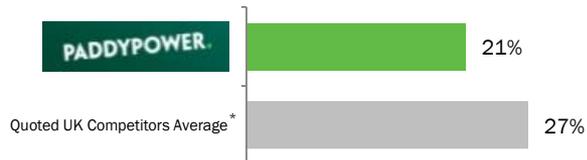
- Curtailed low value customer acquisition
- Reduced investment in Poker & Bingo

Leveraging Social Media Leadership

- 76% share of sector Facebook/Twitter engagement

Sector Leading Marketing Efficiency

- Marketing as % of Online Net Revenue, H1'15



* Competitors' public filings; includes Betfair, William Hill & Ladbrokes

Marketing Campaigns

1. Deepen Brand Distinctiveness & Raise Awareness

New UK TV Creative Aug'15



Italy: new marketing campaigns in development

2. Highlight New Differentiating Product Releases

Sportsbet Cash Out TV Ads



UK: new App launches will be promoted on TV ads

3. Effectively Communicate Value Messages



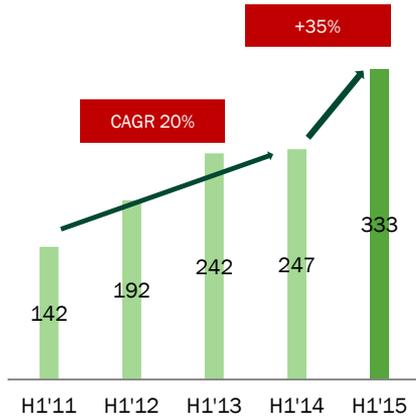
LEADERSHIP POSITIONS IN LARGE, REGULATED MARKETS



UK, Ire & Aus Positions Offer Substantial Growth Opportunities

Online Markets

Paddy Power Online Net Revenue (UK, Aus & Ire)
€'m (CC)



Retail Markets

Paddy Power Retail Net Revenue (UK & Ire)
€'m (CC)



Market Growth & Market Share Gains to Drive Future Growth

Italy

- Strategic review completed in May
- Substantial operational improvements progressing:
 - Cost base restructured
 - Refocused customer acquisition to value over volume
 - Improving customer proposition
 - New marketing strategy being developed to address low brand awareness
- Confident in long term returns

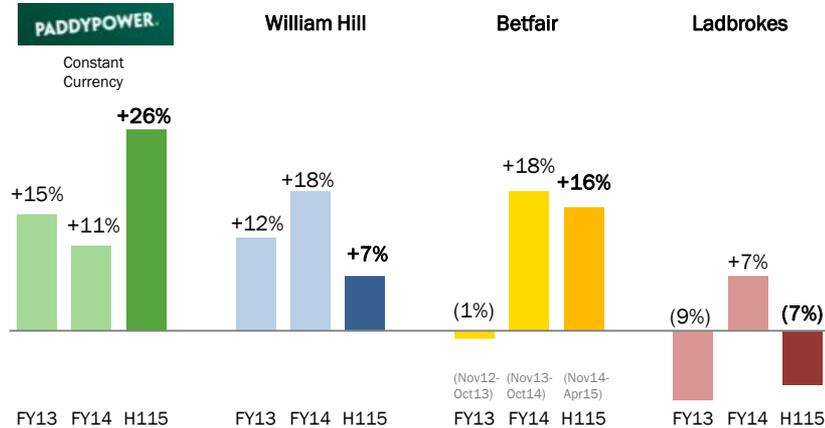
New Markets

- New B2B partner Reta (Spanish multi-channel operator)
- PMU and BCLC B2B partnerships renewed
- Continue to evaluate new B2C markets



Market Context & Position

Online Net Revenue Growth



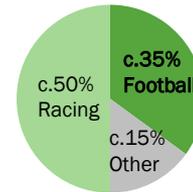
- PP market share gains in H1'15
- POCT: Little evidence to date of any let-up in competitive intensity
- Higher profitability & scale operators favoured in long run

Source: Competitors' public filings

Strategy Implementation

Targeting Football Growth Opportunity

PP.Com Sportsbook Gross Win

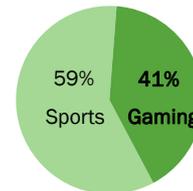


Other operators c.40-50% football

- New marketing campaign
- Betting-in-play enhancements
- Targeted promotions & offers
- New apps & product to drive further growth

Targeting eGaming Growth Opportunity

PP.Com Net Revenue



PP eGaming revenue per active relatively low versus peers

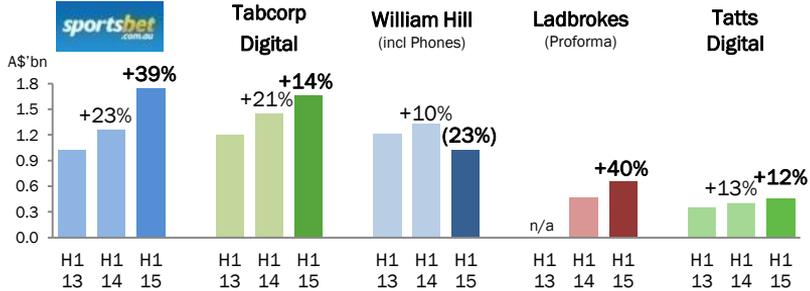
- Maximise sports cross-sell
- Mobile leadership
- Proprietary product



Market Context & Position

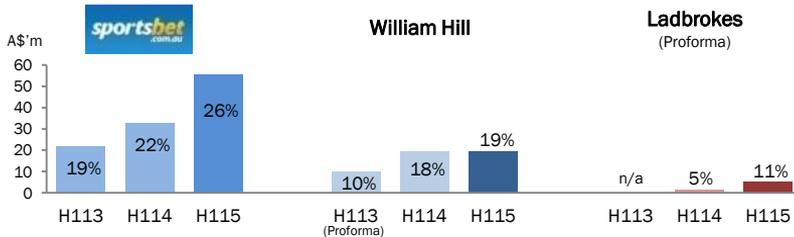
Accelerated Market Share Gains

Online Stakes (YoY Growth %)



Scale & Profitability To Drive Further Growth

Operating Profit (% of Net Revenue)



Source: Competitors' public filings

Strategy Implementation

Leading Product

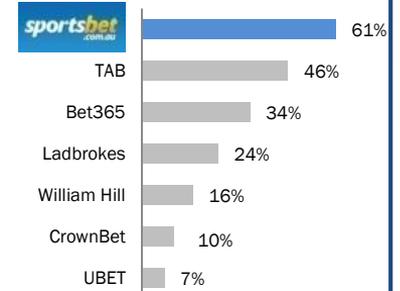


Accelerated Marketing Investment

Sportsbet Marketing Spend



Spontaneous Brand Awareness

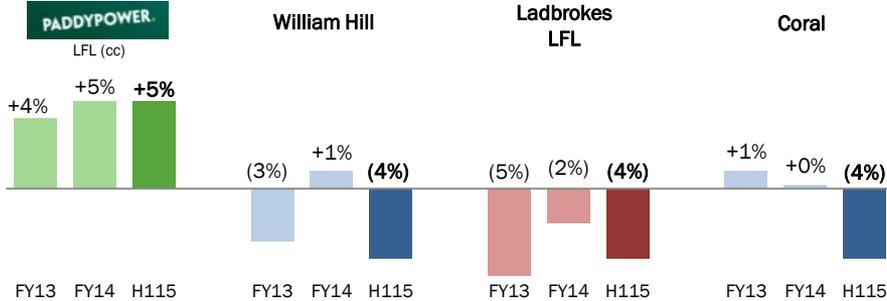


Source: Toluna Brand & Advertising Awareness Tracker (Jul'15)

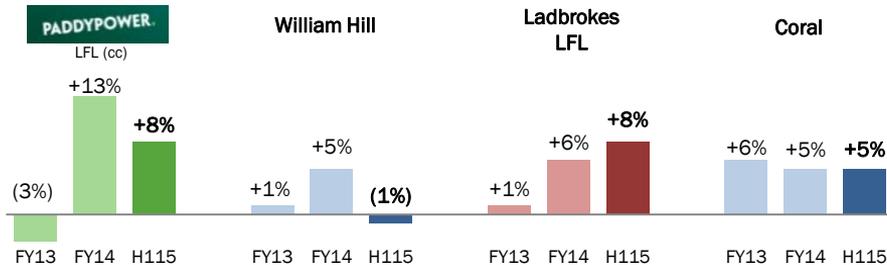


Market Context & Position

UK Sportsbook Stakes Growth



UK Gaming Net Revenue Growth



Source: Competitors' public filings

Strategy Implementation

Market Leading Customer Proposition

- Sports:
 - Leading & most consistent value offer
 - Continually extending sports & markets
- SSBTs:
 - Well established market leader
 - Over double terminals per shop as nearest competitors
 - Continue to optimise content & promotions
- Gaming:
 - Widest selection of games in the market
 - Extended advantage with exclusive proprietary content

Multi-Channel Initiatives



- Online sign-ups to be rolled out across estate in H2'15
- Retail cross-sell promotions to paddypower.com customers
- Most consistent value offer across retail & online



Current Trading & Outlook

Current Trading

- Second half has started well

Outlook

- 2015 operating profit now expected to be a mid to high-single digit percentage above consensus forecast

POSSIBLE MERGER OF PADDY POWER & BETFAIR

Compelling Strategic Rationale

- One of the world's largest public online betting and gaming companies with revenues >€1.5bn*
- Enlarged scale and capabilities to compete in existing and new markets
- Dual brand strategy in Europe
- Complementary online business & geographic mix
- Diversified group:
 - Strong platforms across online and retail in UK & Ireland
 - Attractive growth opportunities in Continental Europe, the US & Australia
- Cost and revenue synergies

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 **betfair**

* Last financial years at GBP/EUR FX rate of 0.7378

Merger of Equals: Transaction Highlights

Key Merger Terms

- Paddy Power shareholders would own 52% & Betfair shareholders would own 48% of the Combined Group
- Immediately prior to completion, Paddy Power shareholders would receive a special dividend of €80 million

Combined Group's Board Composition

- Chairman: Gary McGann, Chairman of Paddy Power
- CEO: Breon Corcoran, CEO of Betfair
- COO: Andy McCue, CEO of Paddy Power
- CFO: Alexander Gersh, CFO of Betfair
- Other non-executive directors nominated equally from each company

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