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THE GENERATOR at Paddy Power



€3 MILLION GUARANTEED
 paddypowerpoker.com
IRISH OPEN



Paddy Power
 INTERIM RESULTS 2007

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

- 108% growth in operating profit
- Favourable sporting results
- UK Retail traded profitably
- Continued investment for growth

- Introduction
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Financial Highlights

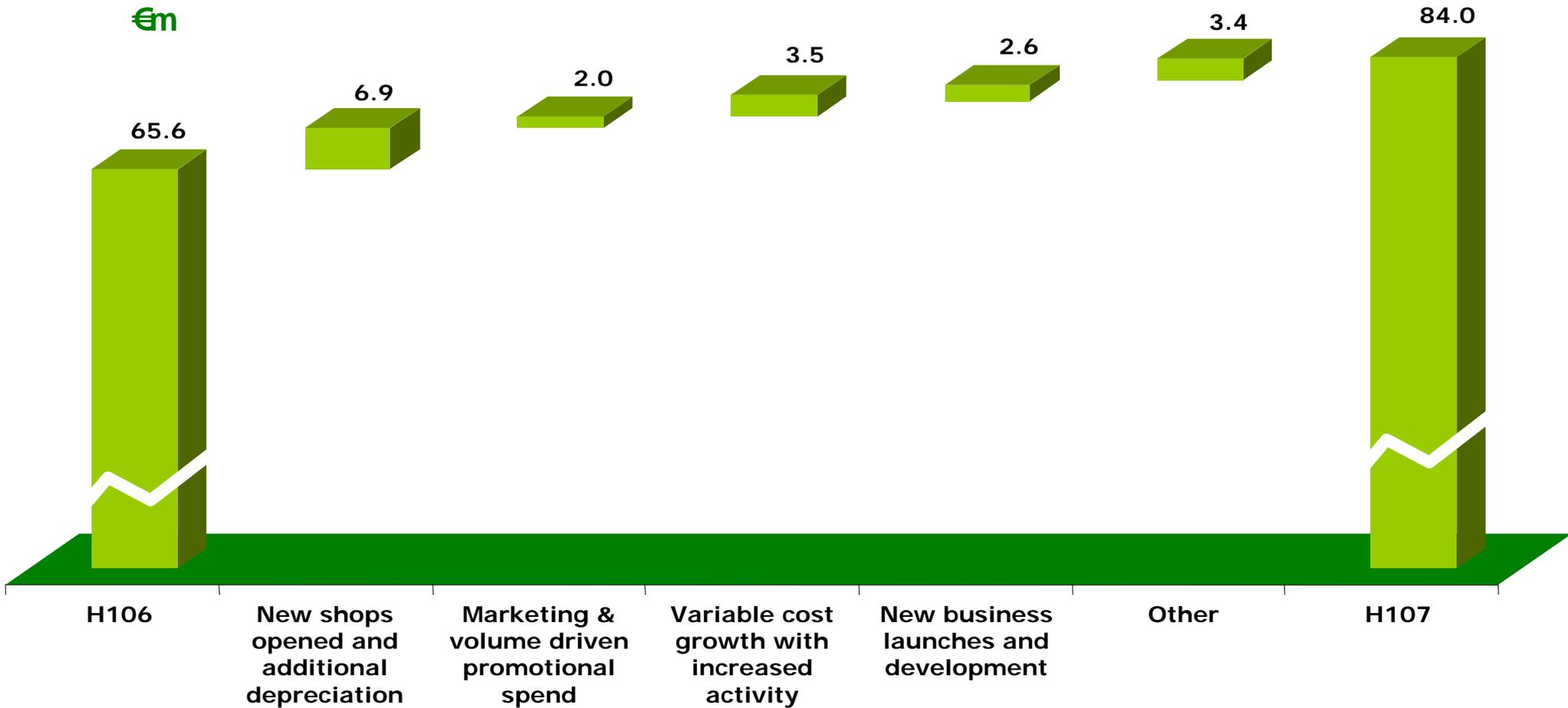
€m	H1 '07	H1 '06	Change
Turnover	994	878	+13%
Gross win	143.8	105.0	+37%
Gross profit	124.9	85.2	+47%
Operating profit	40.8	19.6	+108%
Profit before tax	42.7	20.5	+108%
Profit after tax	35.5	17.5	+103%
Diluted EPS	69.5c	34.5c	+101%

- Double digit turnover growth despite higher sportsbook gross win percentage and absence of World Cup
- Group sportsbook gross win percentage 12.4% versus 10.3% in H106
- Gross win growth of 37% comprising sportsbook 35% & gaming/FOBTs 48%
- Cost growth due to increased turnover and investment for future

Gross Win to Gross Profit

€m	H1 '07	H1 '06	Change
Gross win	143.8	105.0	+37%
Betting taxes, levies & discounts	(10.2)	(12.6)	-19%
Software supplier costs	(4.0)	(3.8)	+4%
Other	(4.7)	(3.4)	+41%
Gross profit	124.9	85.2	+47%

Operating Cost Growth



Cash Flow

€m	H1 '07	H1 '06	Change
Operating profit	40.8	19.6	+ 108%
Depreciation	10.9	6.5	
Employee share schemes	2.4	1.6	
Working capital	4.7	8.8	
Maintenance capex	(2.2)	(2.2)	
Operating cash flow	56.6	34.3	+ 65%
Enhancement capex	(5.3)	(10.4)	
Acquisitions	(2.6)	-	
Share issues, interest & disposals	2.4	3.2	
Corporation tax	(0.6)	(1.0)	
LTIP share purchases	(5.1)	(3.7)	
Dividends	(11.7)	(6.5)	
Purchase of own shares	(48.2)	-	
Increase/ (decrease) in cash	(14.5)	15.9	
Cash at period end	72.6	68.3	+ 6%

H1'07 Cash Flow Capital Expenditure

€m	'Maintenance'	'Enhancement'	Total
Irish Retail	1.7	2.8	4.5
UK Retail	0.1	0.8	0.9
Non Retail & HO	0.4	1.7	2.1
Total	2.2	5.3	7.5

'Enhancement' includes new shop openings, relocations and extensions; 'Maintenance' includes shop refits.

Cash Returns to Shareholders

€m	2007
2006 final dividend (+80%)	11.7
H1 share buyback (2.14m shares, 4.2% share capital, €22.25 average price)	47.6
H1'07 cash returns to shareholders	59.3
2007 interim dividend (+70%)	7.9

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Divisional Summary

Turnover

€m	H1 '07	H1 '06	Change
Retail	543.9	474.7	+15%
Online	297.3	247.9	+20%
Telephone	152.5	155.0	-2%
Total	993.7	877.6	+13%

Gross Win

Retail	82.8	61.8	+34%
Online	45.6	30.8	+48%
Telephone	15.4	12.4	+24%
Total	143.8	105.0	+37%

Operating Profit

Retail	22.0	6.7	+227%
Online	14.8	9.7	+53%
Telephone	4.1	3.2	+27%
Total	40.8	19.6	+108%

Sportsbook Gross Win Percentages

- Grand National : Silver Birch 33/1
- Irish Grand National : Butlers Cabin 14/1
- Champion Hurdle : Sublimity 16/1
- 2000 Guineas : Cockney Rebel 25/1
- Wokingham H'cap : Dark Missile 22/1
- The Masters : Zach Johnson 175/1
- US Open : Angel Cabrera 125/1



Financial Impact:

- Gross win percentages in excess of expected ranges in all channels; excesses in proportion to Irish customer content
- Continue to monitor closely gross win percentages; however recycling counterbalances some of impact

Irish Retail

€m	H1 '07	H1 '06	Change
Turnover	461	414	+11%
Gross Win	67.7	51.6	+31%
<i>Sportsbook Gross Win %</i>	<i>14.7%</i>	<i>12.4%</i>	
Operating Profit	22.5	9.7	+131%
<i>Shops at period end</i>	<i>168</i>	<i>154</i>	

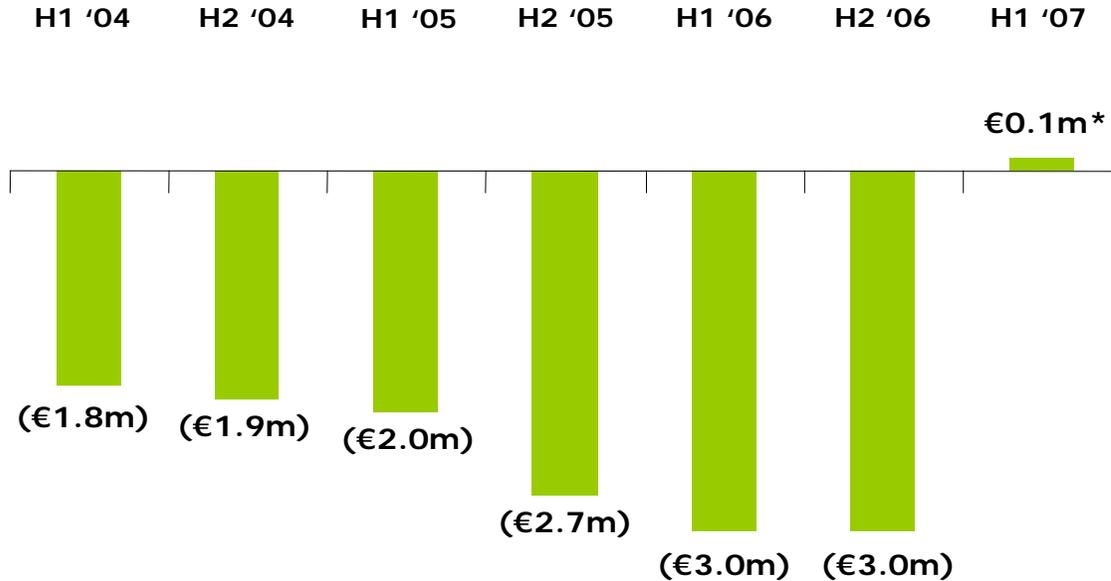
- Exceptional gross win percentage driven by poor performance of Irish punters' selections in H107
- LFL growth: turnover 5%, gross win 25%
- Four shops opened. Four shops also acquired in H1 and further four acquired in August
- Market remains competitive
- Strong growth driven by brand, people and product, plus estate investment and Irish economy

UK Retail

€m	H1 '07	H1 '06	Change
Turnover	83	60	+38%
Gross Win OTC	9.8	7.2	+37%
<i>Sportsbook Gross Win %</i>	<i>12.6%</i>	<i>12.5%</i>	
Gross Win FOBT	5.3	3.1	+72%
Total Gross Win	15.1	10.3	+47%
Trading Profit / (Loss)	0.1	(3.0)	
Operating Loss	(0.5)	(3.0)	
<i>Shops at period end</i>	<i>59</i>	<i>51</i>	

- Once off step change in profitability from revenue and cost initiatives
- €0.1m profit, prior to €0.6m shop closure costs
- LFL gross win growth 24% (OTC 19%, FOBT 37%)
- Average FOBT drop £716 per week
- Aggressive cost review delivered substantial savings, offsetting AMLD
- Each group of shops (by year) opened in last four years EBIT positive
- Further openings in London and reviewing potential elsewhere in UK

UK Retail Half Year Profit / (Loss)



*Pre shop closure provision of €0.6m

REVENUE GROWTH

- LFL gross win growth 24%
- FOBT initiatives: new machines/SLA, training, competitions, branding
- OTC initiatives: Turf TV, MBS, shop presentation

COST SAVINGS

- LFL shop operating costs down 8%
- Broad range of initiatives covering FOBT supply, payroll, cleaning, telephone, electricity and stationery

€m	H1 '07	H1 '06	Change
Turnover	297	248	+20%
Gross Win Sportsbook	27.2	17.8	+53%
<i>Sportsbook Gross Win %</i>	<i>9.8%</i>	<i>7.6%</i>	
Gross Win Gaming	18.4	12.9	+42%
Total Gross Win	45.6	30.8	+48%
Operating Profit	14.8	9.7	+53%
<i>Active Customers*</i>	<i>157,410</i>	<i>133,374</i>	<i>+18%</i>

- Bet volume growth 16%
- Continued site and product development
- Increased gaming gross win, notwithstanding Poker challenges
- Cost increases reflecting business launches, marketing spend and variable cost increases
- Market increasingly competitive
- Multi product customers up 56% to 34K
- From Sept '07 expect less betting tax in Non Retail, c.€5m p.a. at current activity levels

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

Telephone

€m	H1 '07	H1 '06	Change
Turnover	152	155	-2%
Gross Win	15.4	12.4	+24%
<i>Sportsbook Gross Win %</i>	<i>10.1%</i>	<i>8.0%</i>	
Gross Profit	13.9	11.2	+24%
Operating Profit	4.1	3.2	+27%
<i>Active Customers</i>	<i>25,196</i>	<i>25,418</i>	<i>-1%</i>

- Turnover growth impacted by higher gross win percentage and absence of World Cup
- Bet volumes down 2%; Average stake maintained at €99
- Improved customer service
- Competitive intensity increasing
- Priority on profitability over top line growth

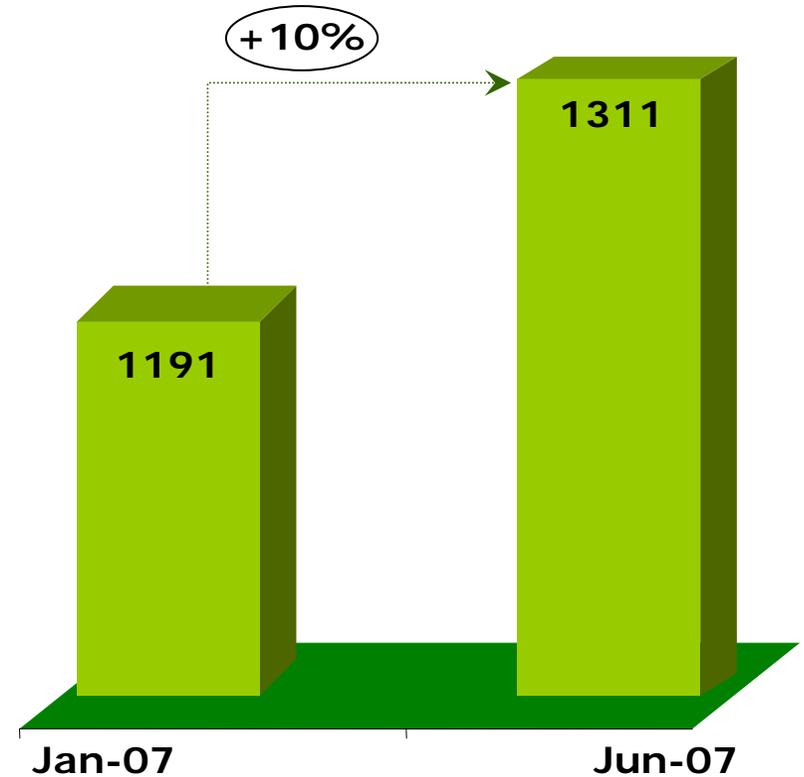
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Investing for Growth

Recruiting aggressively ...

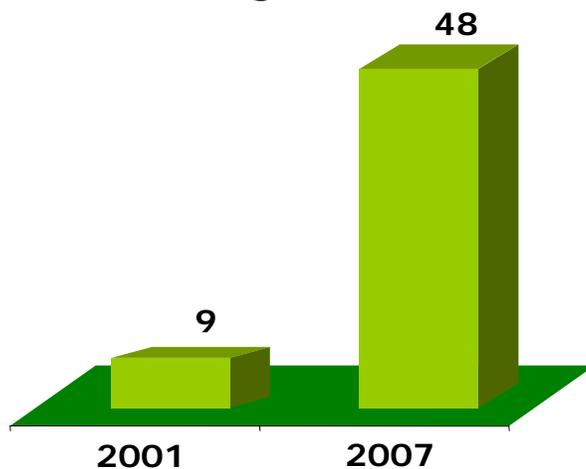


Staff numbers growing...
(FTEs)



Investment in Risk and Trading

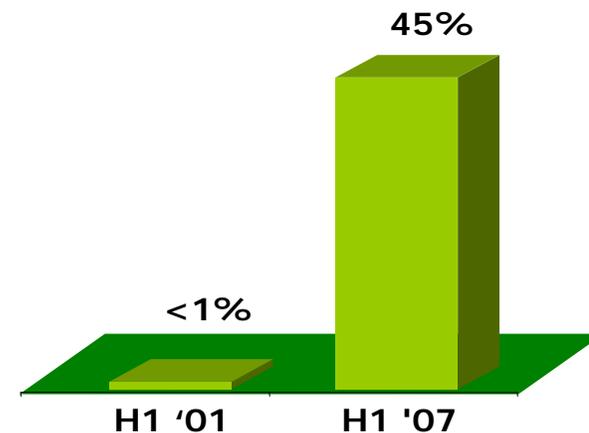
Risk and Trading Personnel



Sample Markets Introduced H1 '07

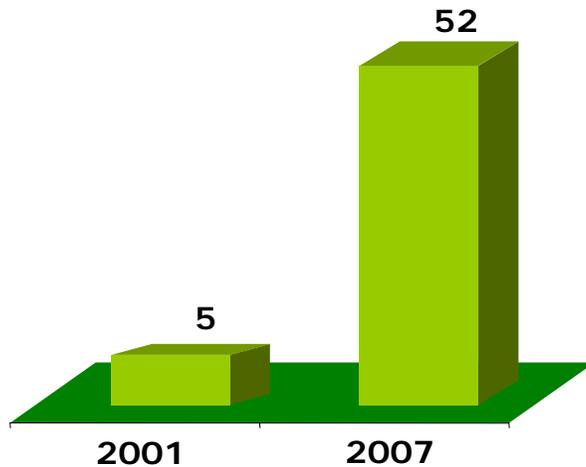
- Ice hockey: Betting-In-Running ('B-I-R')
- Rugby: 33 new markets for World Cup
- Horse racing: B-I-R all terrestrial TV races
- Football: 10 minute markets B-I-R
- Golf: score on next hole

B-I-R in Non-Retail Sports Betting



Investment in Technology

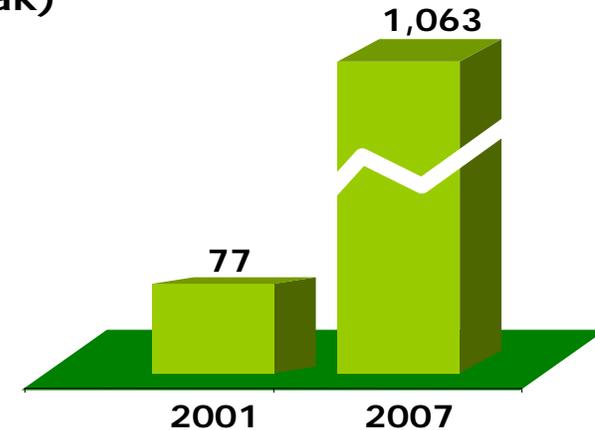
Technology Personnel



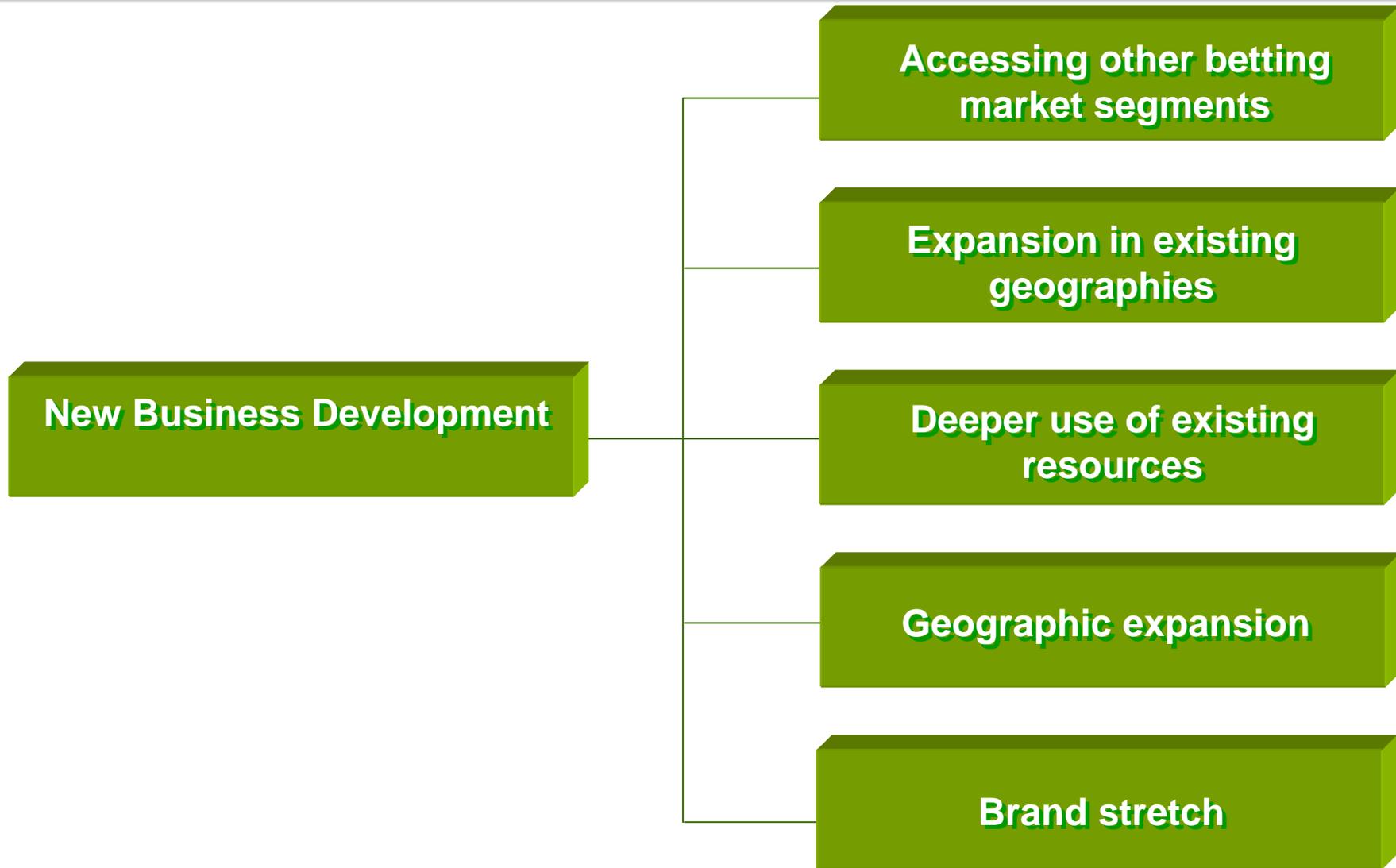
Technology Scale

- 35 different active websites
- 150 different reports per day
- 2000 GB of retail information stored
- 250 GB of non retail information stored

Online Grand National Bets Per Minute (peak)



New Business Development



Brand



Brand: Early Payouts - Ireland



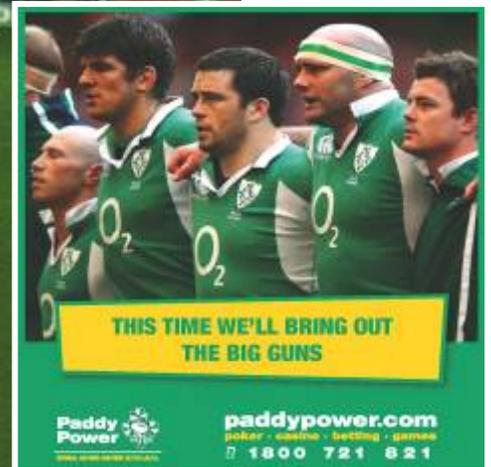
RTÉ News



Irish Independent

IRELAND'S BEST-SELLING DAILY NEWSPAPER

Paddy Power bookmakers seem to have full confidence in O'Sullivan's men — they have already paid out on an Ireland win, plus a Triple Crown success.





Irish Independent

Guineas relief for battered punters

By **John Martin**

PADDY POWER, the country's leading bookmakers, have come up with the correct and appropriate response to the defection of Teofilo from tomorrow's English 2,000 Guineas.

Paddy Power are refunding all losing single ante-post bets on the favourite for the first colts' Classic of the season – no matter when they were struck. Paddy Power reckon that they will be handing back €112,500 to their clients both here and in Britain. Teofilo's last price was 9/4 favourite.

RACING POST

Emily race row forces eviction to be cancelled

BIG BROTHER

By **Phil Agius**

Paddy Power, often the safest haven for punters at controversial times, have proved so again, refunding bets on Emily, who had been backed from 13-8 to evens to go after receiving an unflattering edit in Wednesday night's highlights show, and letting Shabnam wagers stand, with the safety net of a refund if she is not the next to go.

Power spokeswoman Sharon McHugh said: "This is exactly the start that nobody wanted. But we think the only fair option is to refund on Emily and turn all Shabnam bets into freebies."

RACING POST

Bookmakers ready to turn their backs on Tour betting

All firms will settle bets on the riders as they stand on the Paris podium, but only punters who bet with Paddy Power can get their money back on disqualified riders – the firm say their refund policy will cost them £50,000.

Spokesman Paddy Power said: "The Tour De France is proving to be a Tour De Fraud.

"If you've bet on a clean rider then he's racing at a disadvantage to all the drug-riders out there. Yet if you've bet in good faith on one that goes on to fail a drugs test then your wager is also being unfairly penalised."

However Ladbrokes' Patrick Jay said the spate of expulsions and withdrawals should really make the sport more trustworthy.

"It's obvious now the authorities are doing a good job trying to clean up the sport and the race is cleaner today than it was last week," he said.

Betdirect's Charlie McCann issued a scathing verdict on the troubled event. "We deliberately kept a low profile on the race for the reasons which have become apparent in the last 24 hours. We are unlikely

▶▶ **Continued, page 123**

Retail: Turf TV & Racing Money-Back Specials

GOT THE PICTURE?

CHESTER
NOT SHOWN
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Today, some bookies will take your bet on Chester - then NOT show the race.
That's not taking your bet - that's taking the mick!
We show ALL live racing - Today and EVERY DAY.

Paddy Power

NO BRAINER!

Today we will refund ALL losing bets on 3 separate races in our UK shops.

PADDY POWER
THE ONLY MAJOR BOOKIE
SHOWING ALL
LIVE RACING

So you have a choice:

Hang around in Ladbrokes, Hills or Coral and miss the racing - OR come to Paddy Power, watch ALL the racing and benefit from our generosity.

NOW THAT'S A NO BRAINER!

Paddy Power

WEDNESDAY

2ND MAY

WE'LL REFUND ALL

LOSING BETS ON THREE RACES!

Paddy Power

WARNING!

Ladbrokes, Hills & Coral
Won't Show
EVERY Race From
Goodwood
WE WILL!

**THIS IS THE ONLY PICTURE
OTHER BOOKMAKERS
WILL SHOW YOU!!!**

Delivering Strong Growth

	H1 '01	H1 '07	CAGR
Turnover	€206m	€994m	+30%
EBIT	€4.0m	€40.8m	+47%
EPS	6.9 cent	69.5 cent	+47%
Dividend	1.7 cent	16.0 cent	+45%

- In the second half...
 - 'We expect operating profit for the full year of approximately €68m....growth of approximately 50%'

- And beyond...
 - Very well positioned through combination of:
 - People, brand and product innovation
 - Portfolio of attractive opportunities
 - Ongoing investment