



**Introduction**

**Financial Performance**

**Divisional Review**

**Outlook**

# Highlights

- Record operating profit, up 14% to €56.2m
- 81% of profits from internet and mobile
- 20% increase in interim dividend
- Second half has started well

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# Financial Highlights

| €m                      | H1'11        | H1'10        | Change      |
|-------------------------|--------------|--------------|-------------|
| Amounts Staked          | 2,225        | 1,892        | +18%        |
| <b>Gross Win</b>        | <b>242</b>   | <b>206</b>   | <b>+18%</b> |
| EBITDA                  | 68.1         | 60.7         | +12%        |
| <b>Operating Profit</b> | <b>56.2</b>  | <b>49.5</b>  | <b>+14%</b> |
| Profit Before Tax*      | 56.8         | 49.4         | +15%        |
| <b>Diluted EPS*</b>     | <b>97.1c</b> | <b>82.2c</b> | <b>+18%</b> |
| Interim Dividend        | 30.0c        | 25.0c        | +20%        |

H1'10 included World Cup stakes of €60m

**Gross win +18% comprises:**

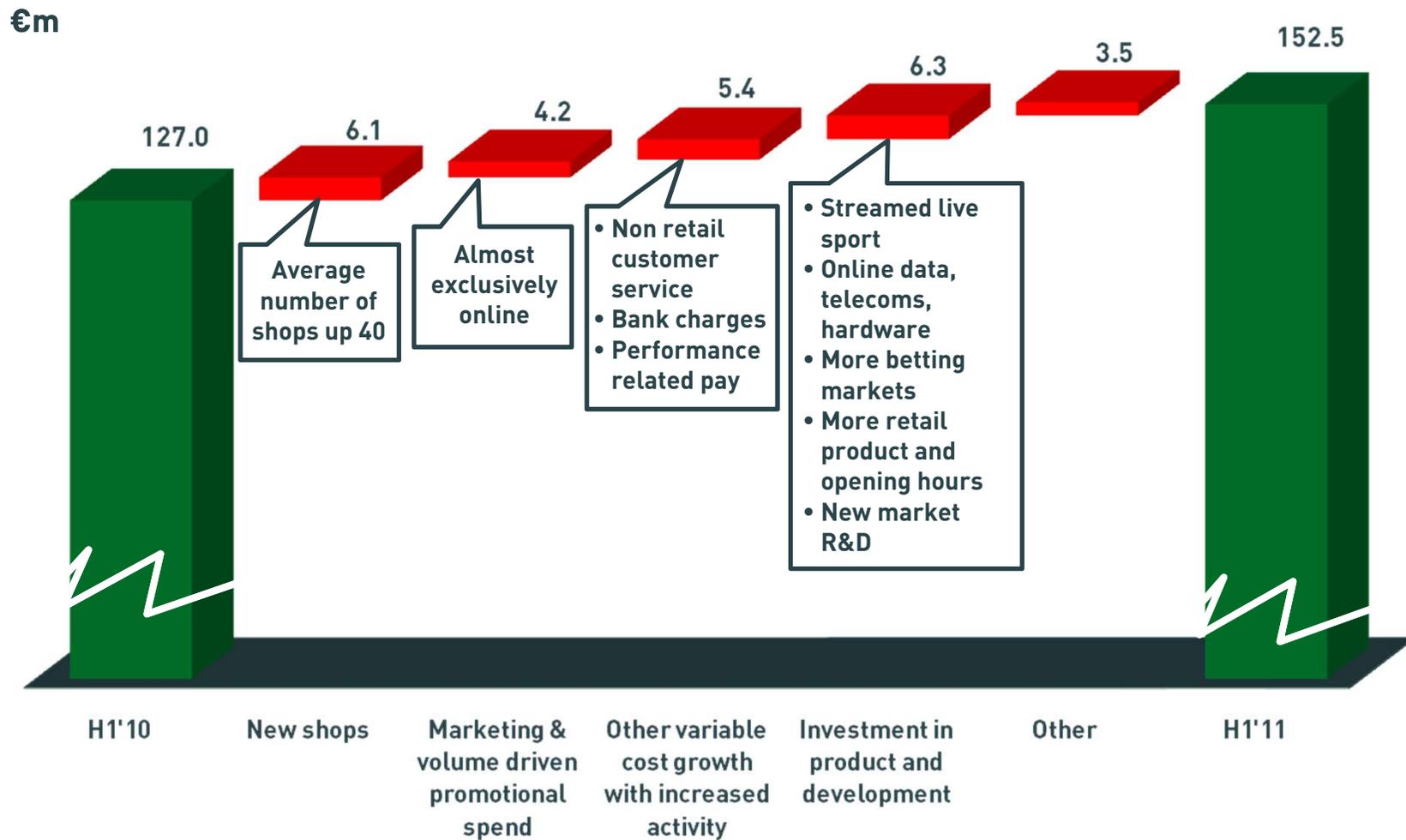
- Sportsbook +13%
- Gaming/machines +34%

**Sportsbook gross win margin -0.3% from unfavourable sports results**

**Effective tax rate 14.3% moving towards 14% by 2012**

*\*H1 '10 excludes once-off gains re the Sportsbet buyout call options revaluation within 'Financial Income' and UK deferred tax asset recognition within 'Income Tax Expense'*

# Operating Cost Growth



# Financial Highlights - Divisional

## Amounts Staked

| €m                       | H1'11        | H1'10        | Change      |
|--------------------------|--------------|--------------|-------------|
| Online (ex Australia)    | 771          | 540          | +43%        |
| Online Australia*        | 642          | 593          | +8%         |
| Irish Retail             | 483          | 476          | +2%         |
| UK Retail                | 177          | 132          | +34%        |
| Telephone (ex Australia) | 152          | 151          | +1%         |
| <b>Total</b>             | <b>2,225</b> | <b>1,892</b> | <b>+18%</b> |

## Gross Win

|                          |            |            |             |
|--------------------------|------------|------------|-------------|
| Online (ex Australia)    | 101        | 75         | +35%        |
| Online Australia*        | 48         | 42         | +14%        |
| Irish Retail             | 51         | 55         | (8%)        |
| UK Retail                | 33         | 24         | +36%        |
| Telephone (ex Australia) | 9          | 9          | +1%         |
| <b>Total</b>             | <b>242</b> | <b>206</b> | <b>+18%</b> |

## Operating Profit

|                          |             |             |             |
|--------------------------|-------------|-------------|-------------|
| Online (ex Australia)    | 36.5        | 29.0        | +26%        |
| Online Australia*        | 9.8         | 7.9         | +25%        |
| Irish Retail             | 5.1         | 9.0         | (44%)       |
| UK Retail                | 4.7         | 3.0         | +59%        |
| Telephone (ex Australia) | 0.2         | 0.6         | (66%)       |
| <b>Total</b>             | <b>56.2</b> | <b>49.5</b> | <b>+14%</b> |

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

# Cash Flow

**€m** **H1'11**

EBITDA 68.1

**Operating Cashflow After Tax\* 62.9**

## Investing and Financing Activities:

Acquisitions (94.8)

Enhancement Capex (10.5)

Dividends (24.3)

Other (1.2)

**Decrease in Net Cash (67.9)**

**92% EBITDA conversion to operating cashflow after tax**

**Buyout of Australian 39.2% minority**

**Once-off increase in capex in H2'11**

**Closing cash €91m (€47m excluding customer balances)**

**Interim Dividend +20% to 30.0c**

**Once-off H2 GST gain and cash receipt**

\* After deduction of estimated maintenance capex of €5.0m

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# Online (ex Australia)

| €m                            | H1'11          | H1'10          | Change      |
|-------------------------------|----------------|----------------|-------------|
| Amounts Staked                | 771            | 540            | +43%        |
| <b>Gross Win Sportsbook</b>   | <b>57.7</b>    | <b>40.5</b>    | <b>+42%</b> |
| <i>Sportsbook Gross Win %</i> | <i>7.9%</i>    | <i>8.0%</i>    |             |
| <b>Gross Win Gaming / B2B</b> | <b>43.3</b>    | <b>34.4</b>    | <b>+26%</b> |
| Total Gross Win               | 101.1          | 74.9           | +35%        |
| <b>Operating profit</b>       | <b>36.5</b>    | <b>29.0</b>    | <b>+26%</b> |
| <i>Active Customers*</i>      | <i>704,000</i> | <i>476,000</i> | <i>+48%</i> |

## Strong sportsbook growth:

- Active customers +46%
- Bet volumes +54%
- Average stake per bet -7%

Mobile sportsbetting stakes up 279% to 22% of total stakes, with 35% of actives transacting

Gross win % at upper end of expected 7-8% range

Continued strong gaming operational performance drove record gaming customers and profits

Opex growth in line with 'top line' growth

\*Active customers defined as those who have bet in the period, excluding indirect B2B customers

# Australia

| €m                            | H1'11          | H1'10          | Change*     |
|-------------------------------|----------------|----------------|-------------|
| Amounts Staked                | 642            | 593            | (1%)        |
| <b>Gross Win</b>              | <b>47.7</b>    | <b>41.8</b>    | <b>+5%</b>  |
| <i>Sportsbook Gross Win %</i> | <i>7.4%</i>    | <i>7.1%</i>    |             |
| Gross Profit                  | 36.6           | 31.0           | +8%         |
| <b>Operating Profit</b>       | <b>9.8</b>     | <b>7.9</b>     | <b>+15%</b> |
| <i>Active Customers**</i>     | <i>131,000</i> | <i>114,000</i> | <i>+15%</i> |



## Strong growth despite headwinds:

- Operating profit +15%\*
- Online amounts staked +7%\*
- Online gross win + 4%\*
- Online active customers +16%

Gross win percentage below expected due to adverse results

Following buyout, substantial investment made for future

\*In constant currency

\*\* Active customers defined as those who have bet in the period

# Online: Tax & Legal Developments

- **UK:** DCMS licence and HM Treasury tax review
  - ▶ Timing
  - ▶ Rate
  - ▶ Enforcement
  - ▶ Mitigation
- **Ireland:** 1% turnover tax to be implemented
- **Australia:**
  - ▶ Federal Government review of Interactive Gambling Act
  - ▶ Leave granted to appeal RNSW to High Court
  - ▶ Once-off GST gain of €26m
- **Other:** Ongoing review of regulating markets

# Irish Retail

| €m                            | H1'11        | H1'10        | Change       |
|-------------------------------|--------------|--------------|--------------|
| Amounts Staked                | 483          | 476          | +2%          |
| <b>Gross Win</b>              | <b>51.0</b>  | <b>55.5</b>  | <b>(8%)</b>  |
| <i>Sportsbook Gross Win %</i> | <i>10.5%</i> | <i>11.7%</i> |              |
| <b>Operating Profit</b>       | <b>5.1</b>   | <b>9.0</b>   | <b>(44%)</b> |
| <i>Shops at period end</i>    | <i>209</i>   | <i>203</i>   | <i>+3%</i>   |

## Like-for-like KPIs:

- Bet volumes +8%
- Amounts staked -1%
- Gross win -11%
- Direct shop opex -4%

Gross win percentage below normal 11-13%

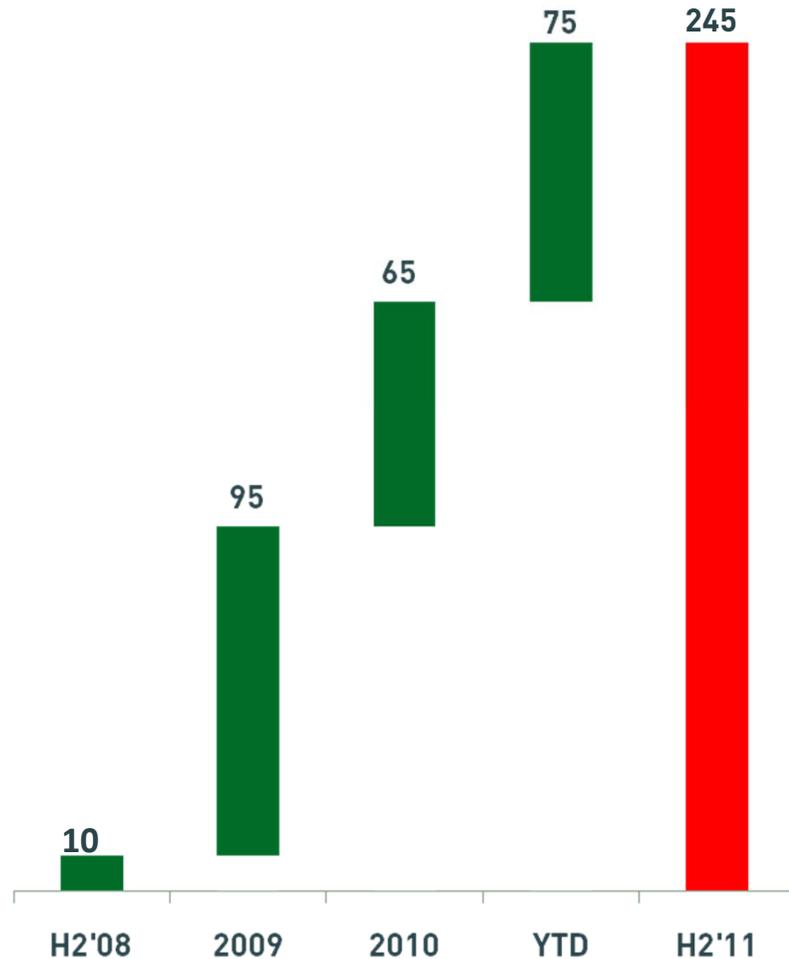
Two new shops opened

Irish Retail – Operating Profit Bridge H1'11 vs. H1'10 (€m)



# Irish Retail

## Competitor Shop Closures



## Industry

- Accelerated shop closures – supply down 14% from 2008 peak to c.1,120 shops
- Increased concentration of market amongst large operators

## Paddy Power

- Market share of c.32%, up from 25-26% pre downturn
- Turnover per shop more than twice competitors'
- Costs per shop down 20% versus 2007
- Significant ongoing investment in value for customers

# UK Retail

| €m                                | H1'11        | H1'10        | Change      |
|-----------------------------------|--------------|--------------|-------------|
| Amounts Staked                    | 177          | 132          | +34%        |
| <b>Gross Win Sportsbook*</b>      | <b>17.0</b>  | <b>14.0</b>  | <b>+21%</b> |
| <i>Sportsbook Gross Win %</i>     | <i>10.5%</i> | <i>11.5%</i> |             |
| <b>Gross Win Machine Gaming**</b> | <b>15.8</b>  | <b>10.0</b>  | <b>+58%</b> |
| <b>Total Gross Win</b>            | <b>32.7</b>  | <b>24.0</b>  | <b>+36%</b> |
| <b>Operating Profit</b>           | <b>4.7</b>   | <b>3.0</b>   | <b>+59%</b> |
| <i>Shops at period end</i>        | <i>142</i>   | <i>107</i>   | <i>+33%</i> |

## Like-for-like KPIs:

- Sportsbook\* amounts staked +6%
- Sportsbook\* gross win -1%
- Machine gross win\*\* +16%
- Total gross win +6%
- Direct shop opex +2%

**Gross win percentage below normal  
11-13%**

**SSBTs rolled out across GB estate**

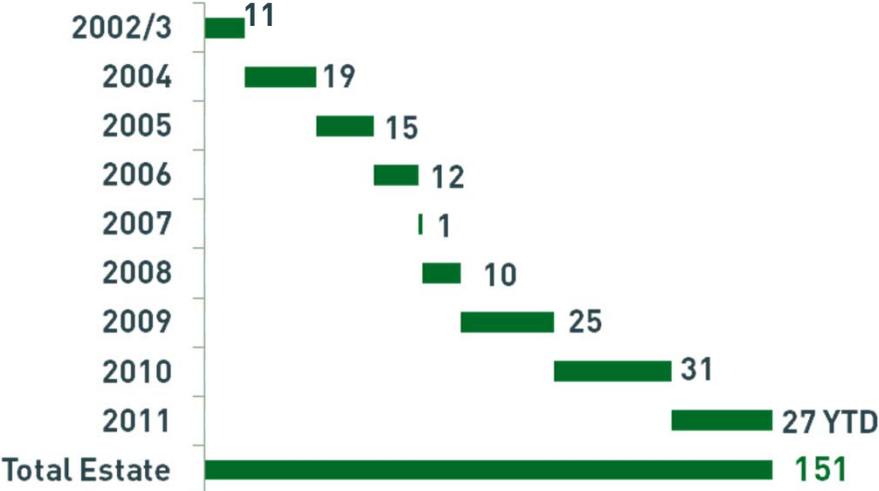
**18 shops opened during the period  
and expected openings of 35-40 p.a.**

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

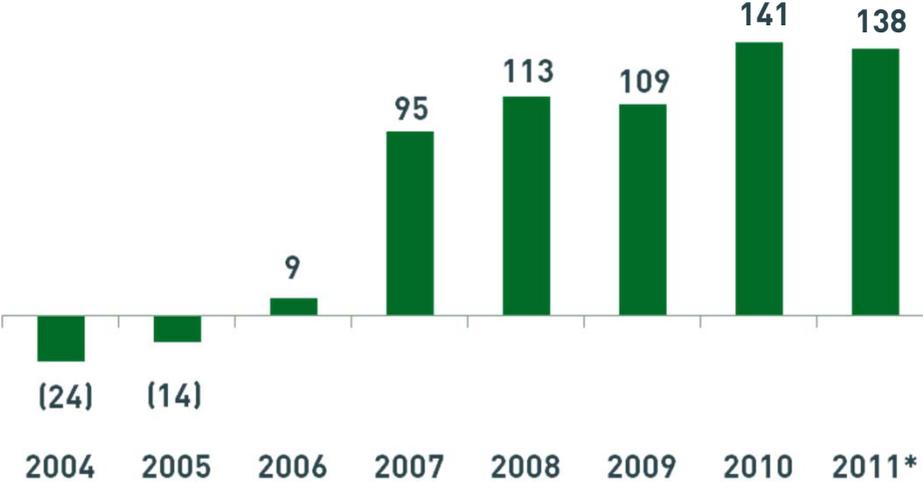
\*\* Gaming machine gross win is after VAT at 20% in 2011 and 17.5% in 2010

# UK Retail Profitability: Three Phases

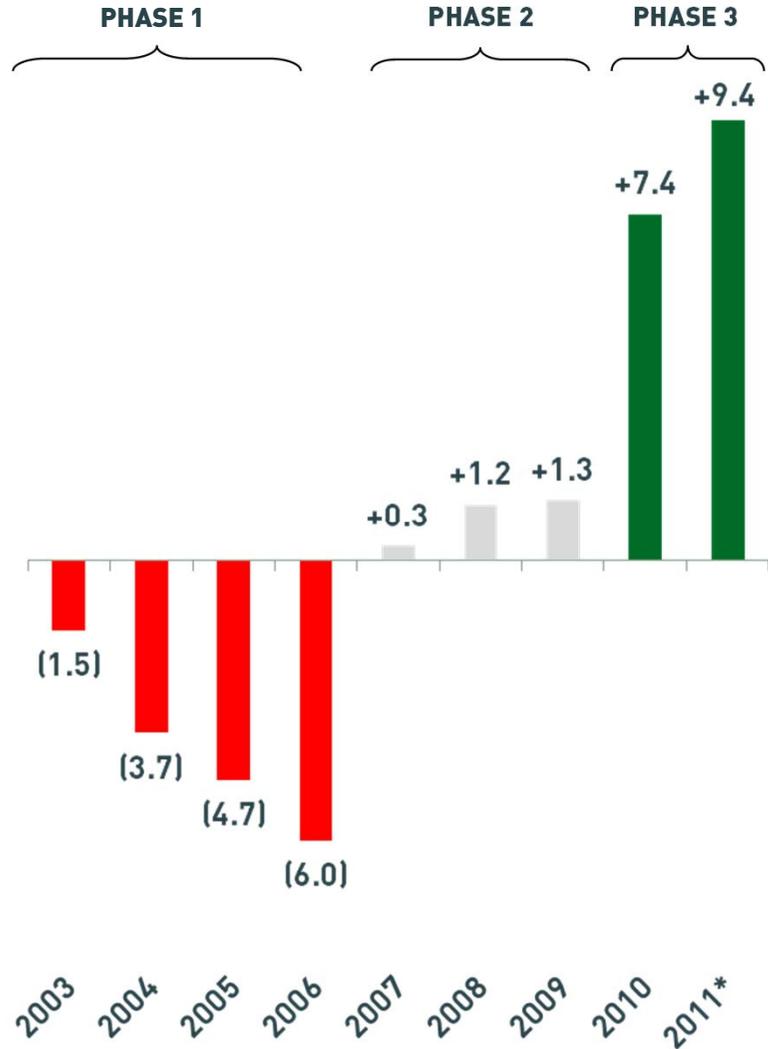
Shops Opened By Year



EBITDA Per Shop Pre Central Costs (£'000)



Operating Profit (€m)



\*Illustrative based on doubling H1'11 result

# Telephone

| €m                            | H1'11         | H1'10         | Change       |
|-------------------------------|---------------|---------------|--------------|
| Amounts Staked                | 152           | 151           | +1%          |
| <b>Gross Win</b>              | <b>9.5</b>    | <b>9.4</b>    | <b>+1%</b>   |
| <i>Sportsbook Gross Win %</i> | <i>6.2%</i>   | <i>6.2%</i>   |              |
| <b>Operating Profit</b>       | <b>0.2</b>    | <b>0.6</b>    | <b>(66%)</b> |
| <i>Active Customers*</i>      | <i>59,000</i> | <i>55,000</i> | <i>+6%</i>   |

## UK growth offset by decline in Ireland:

|           | UK   | IRL  | Total |
|-----------|------|------|-------|
| Turnover  | +5%  | (5%) | +1%   |
| Customers | +8%  | +3%  | +6%   |
| Bets      | +15% | +18% | +16%  |

## Operating costs +5% driven by:

- UK customer acquisition
- Growth in volumes

**Gross win percentage below normal  
c.6.5%**

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

*\*Active customers defined as those who have bet in the period*

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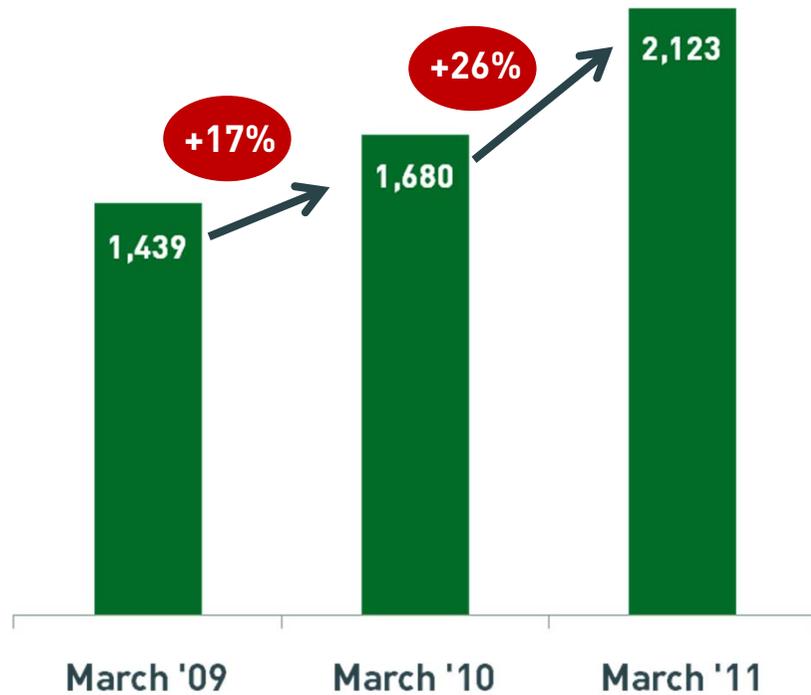
**Outlook**

# Drivers of Growth

- Overall market growth
- Our market positions
- Our track record
- Our continued investment

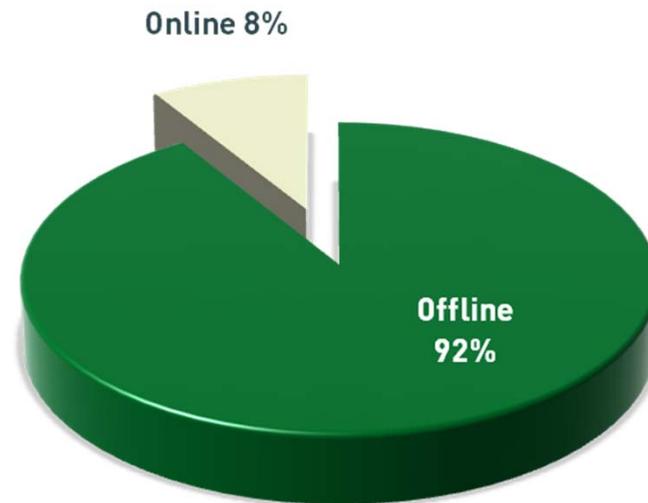
# 1. Market Growth

UK Online Sports Bettors ('000)



Source: Kantar Market Research  
Base: c.9,000 adults at each date

Global Gambling Market  
2011e = \$374bn



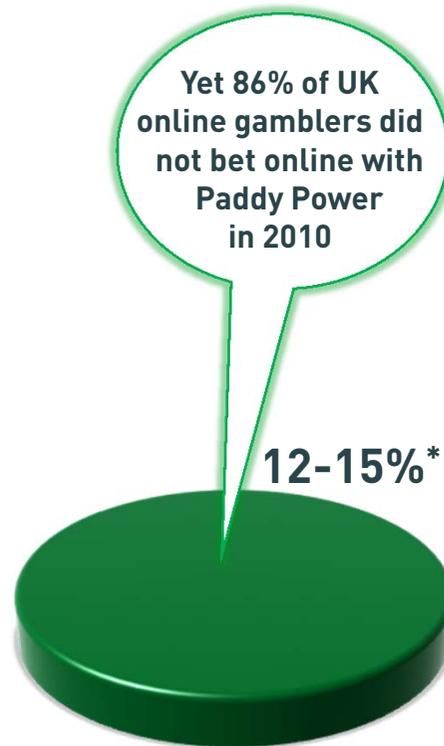
Source: H2GC Consultants, July, 2011

## 2. Our Market Positions: UK Betting Market Share

### Retail *"Mature Market"*



### Online *"Growing Market"*

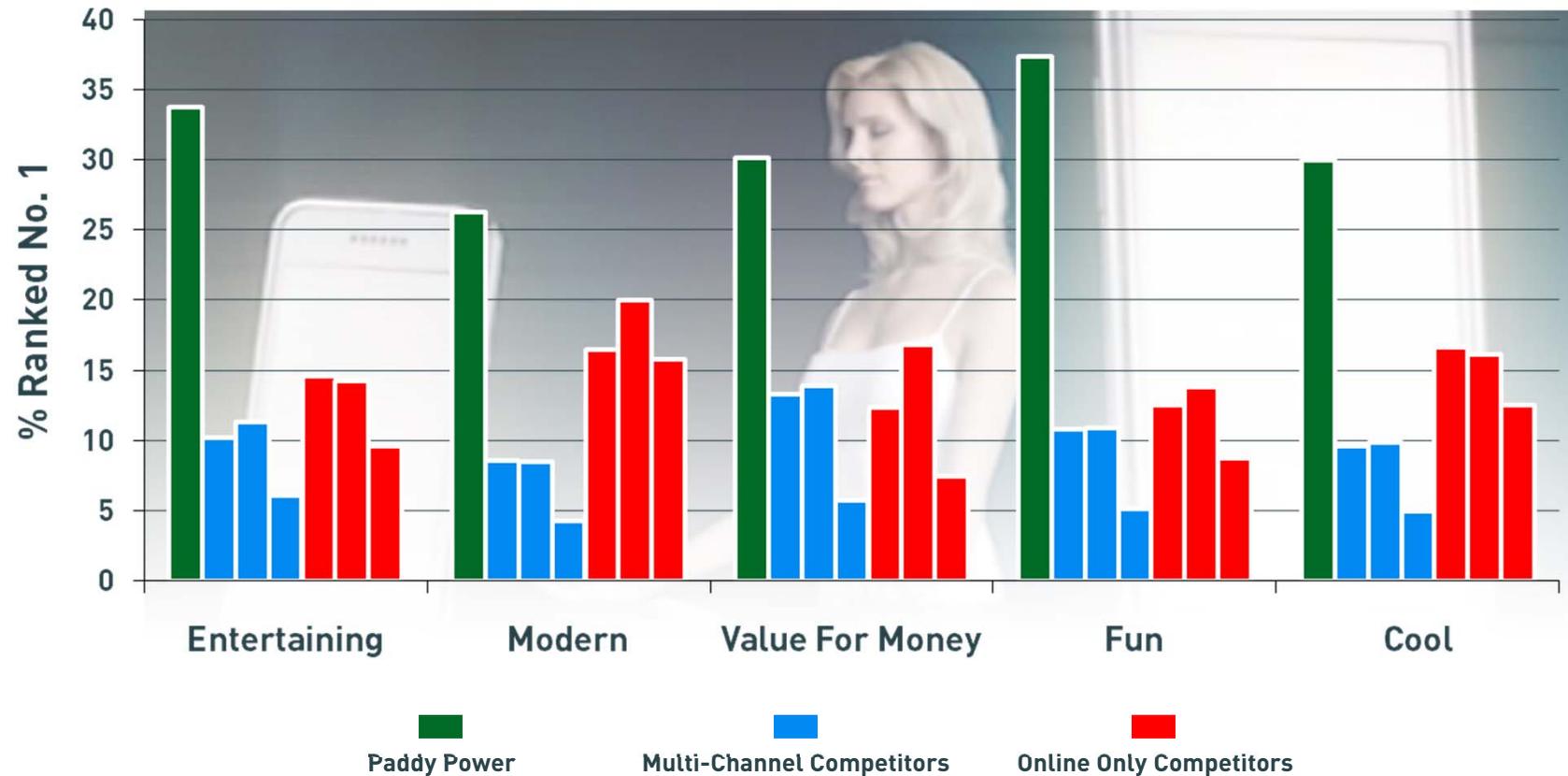


### Mobile and Tablet *"Tomorrow's Market"*



*\*Paddy Power estimates based on market research and competitors' public filings*

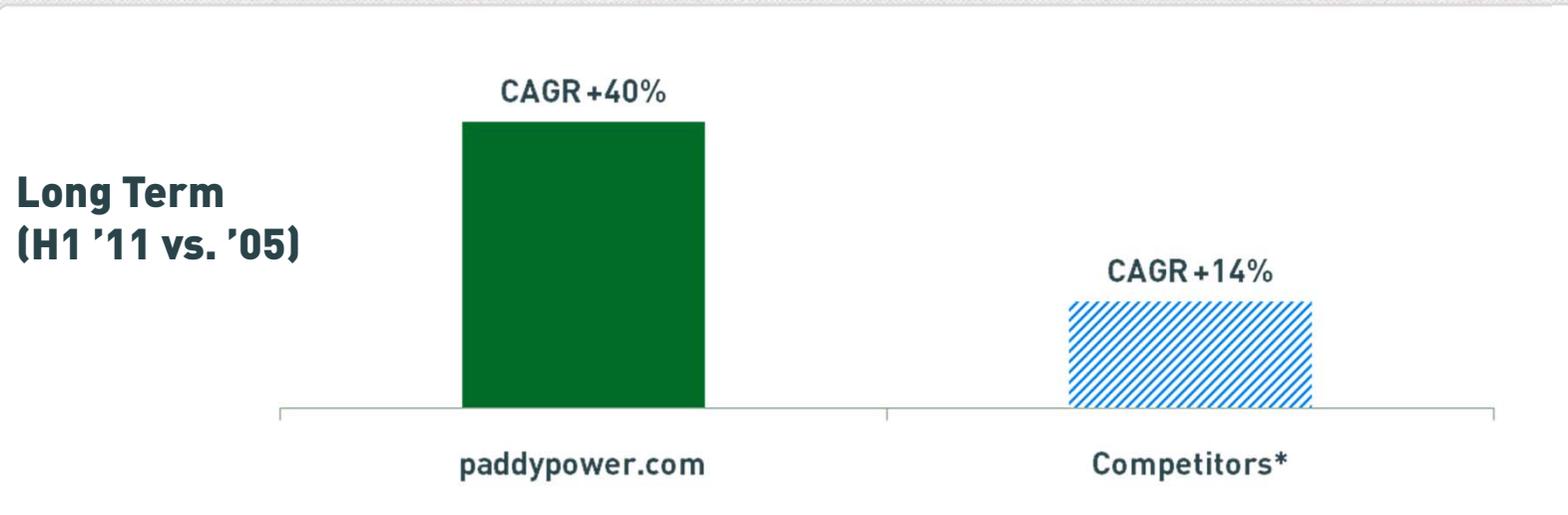
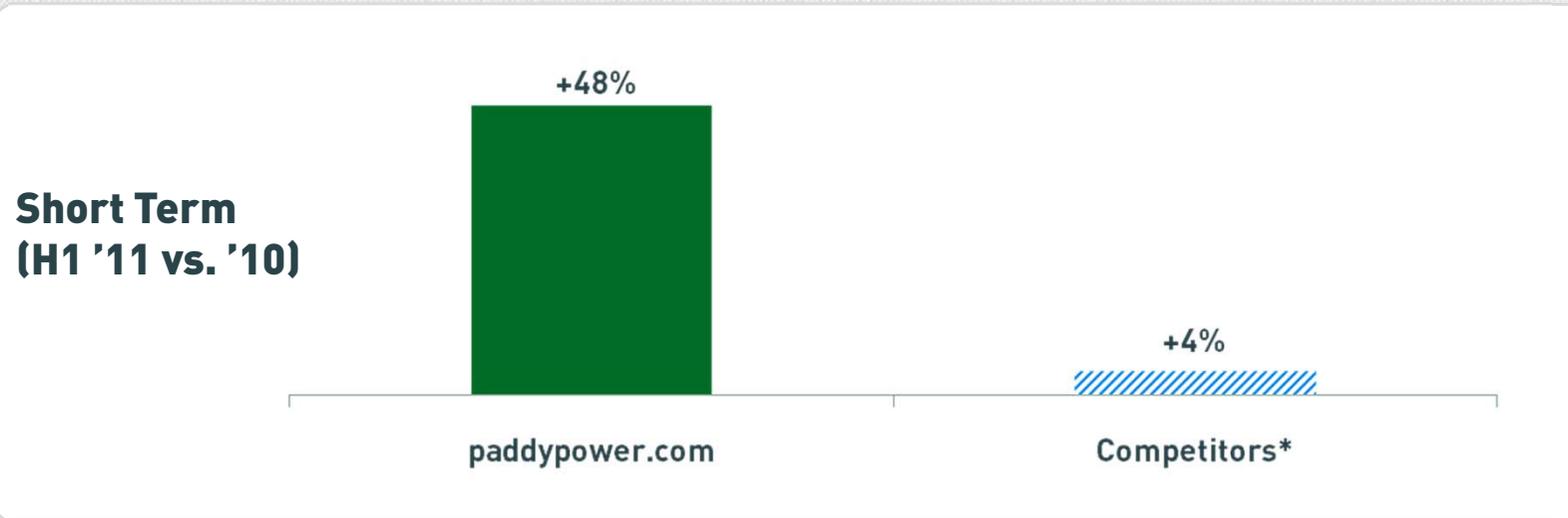
## 2. Our Market Positions: Brand



Source: Toluna Research, H1 '11  
Base: 1,300 regular online bettors

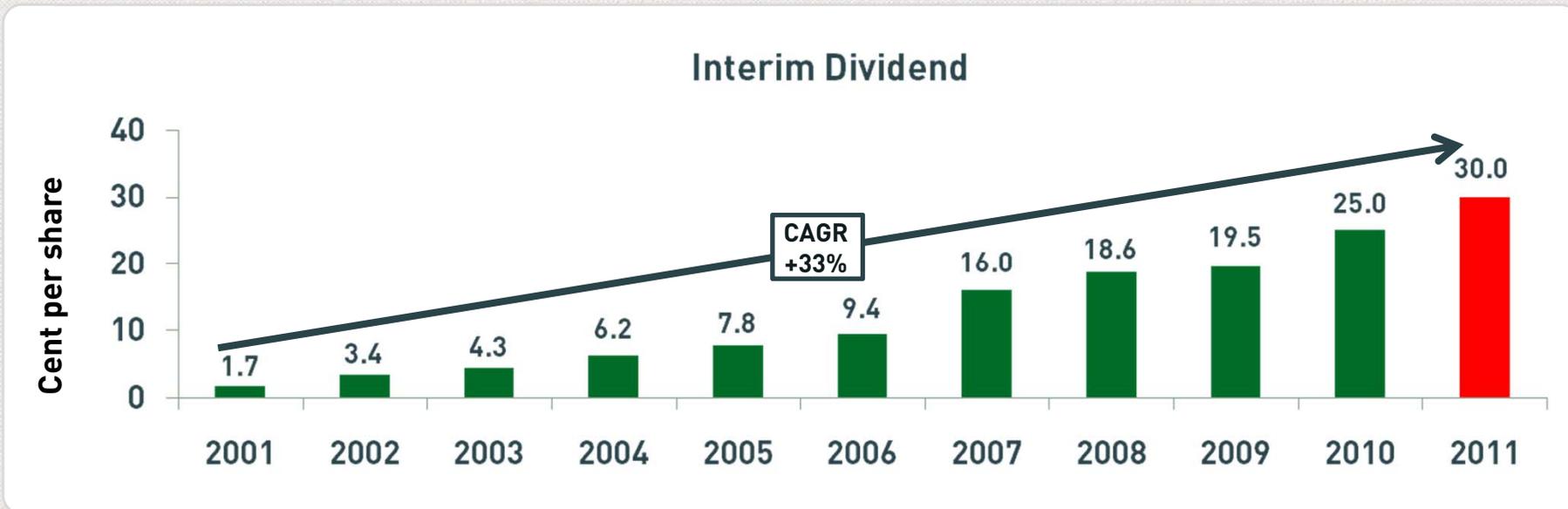
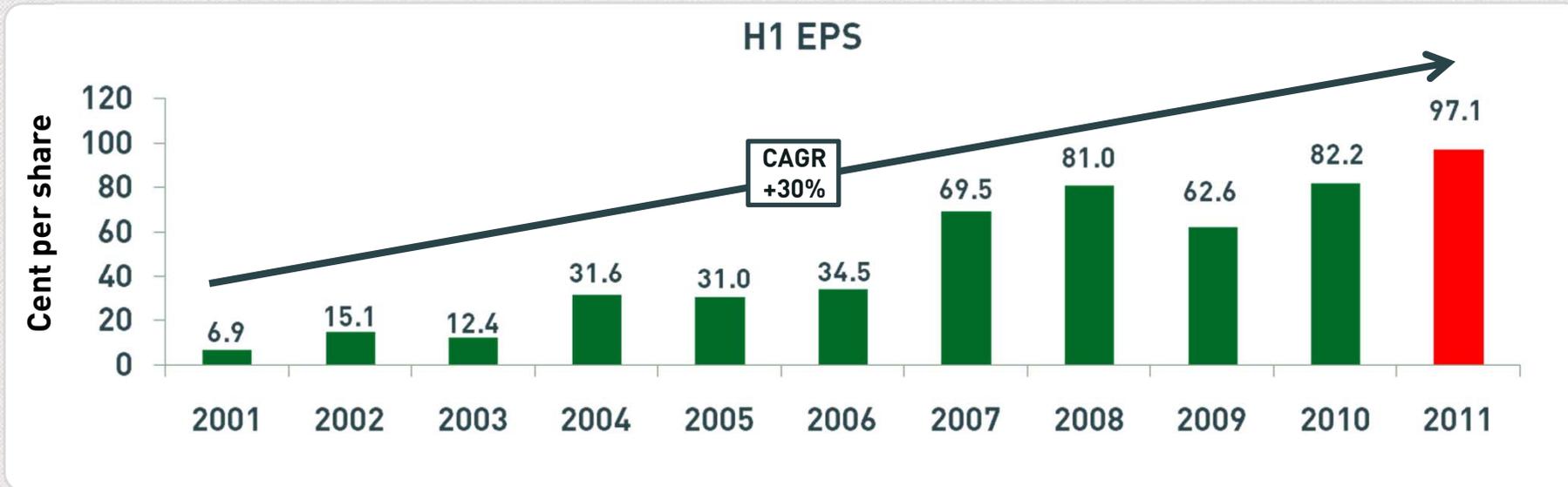
# 3. Our Track Record: Market Share Growth

## Growth In Online Active Customers



*\*Weighted average of our three quoted multi-channel UK competitors*

### 3. Our Track Record: Shareholder Returns



## 4. Our Continued Investment: UK/Ireland

- Online and technology headcount up 45% vs. Jan'10
- 2011 third party development days 3x 2008
- 2.2m YouTube views in H1, up 156% on H1'10
- Largest ever Money-Back Special
- Biggest advertiser on Sky Sports in H1'11
- Proven B2B capability



ANOTHER FINE MESSI!

£3 MILLION CHAMPIONS LEAGUE REFUND

We promised to refund losing bets on Saturday's Champions League Final if Barcelona won. That's £3,000,000 going back to our customers! Who will you bet with next time?

paddypower.com

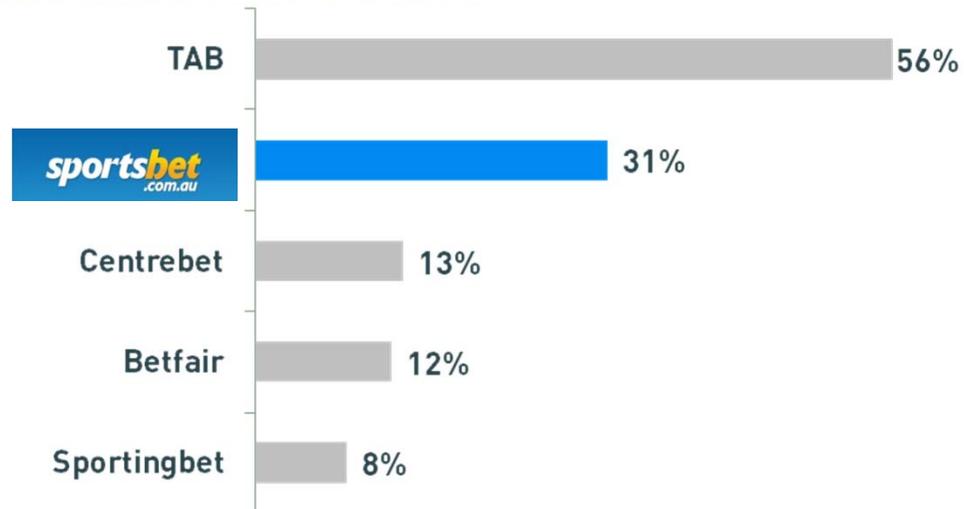
An advertisement for Paddy Power featuring three FC Barcelona players celebrating. The text 'ANOTHER FINE MESSI!' is at the top, '£3 MILLION CHAMPIONS LEAGUE REFUND' is in the middle, and 'paddypower.com' is at the bottom. Below the headline, there is a small text block: 'We promised to refund losing bets on Saturday's Champions League Final if Barcelona won. That's £3,000,000 going back to our customers! Who will you bet with next time?'.

## 4. Our Continued Investment: Australia

- Buyout of 39.2% minority for €98m in March
- Over 75 new hires YTD
- Migration of Sportsbet and IAS to same operating platform as *paddypower.com* in July
- *Fox Sports* partnership deal covering AFL, rugby union and tennis since August
- Further mobile product releases, including iPhone and Android apps, in Sept



### Spontaneous Brand Awareness



Source: Market research Feb-April '11; Base: 1,000 respondents

# Conclusion

**Growing markets**



**Strong market positions**



**Excellent track record**



**Scale through continued investment**



**Financial flexibility**



**“The second half of the year has started well.**

**The Group looks forward to the balance of 2011 and beyond with confidence.”**