

Paddy Power

2007 Results



WHO SAYS YOU CAN'T MAKE MONEY BEING SHORT?

paddypowertrader.com

FINANCIAL SPREAD BETTING

Introduction

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

Highlights

- 59% growth in operating profit
- Favourable sporting results
- 44% growth in online gaming gross win
- UK Retail profitable and expanding
- Continued investment for growth

Financial Performance

- Introduction
- **Financial Performance**
- Operational Review
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Financial Highlights

€m	2007	2006	Change
Turnover	2,028	1,795	+13%
Gross win	279	219	+28%
Gross profit	242	184	+32%
EBITDA	93.0	61.0	+52%
Operating profit*	72.1	45.5	+59%
Profit before tax	75.8	49.7	+53%
Profit after tax	62.8	41.2	+52%
Basic EPS*	127.4c	78.6c	+62%
Full year dividend	51.0c	32.2c	+58%

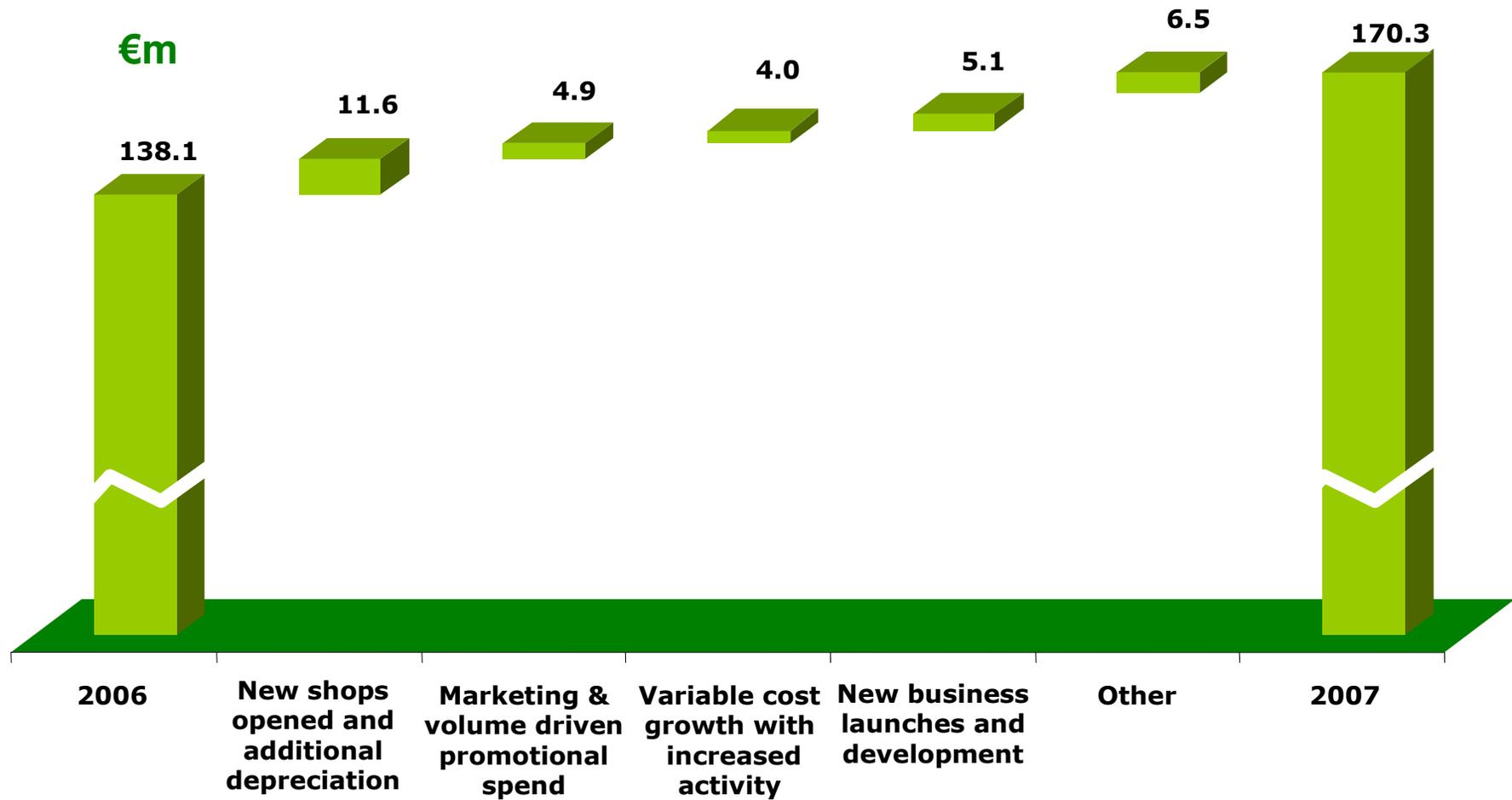
- Double digit turnover growth despite higher sportsbook gross win percentage (11.5% v 10.4%) and absence of World Cup
- Gross win growth of 28% comprising sportsbook 24% and gaming/machines 47%
- Effective tax rate 17.2%, increased by new betting tax from H206
- EPS boosted by share buyback

* 2006 operating profit and EPS exclude exceptional property gain of €2.1m

Gross Win to Gross Profit

€m	2007	2006	Change
Gross win	279.0	218.7	28%
Betting taxes & discounts	(18.3)	(21.2)	(14%)
Software supplier costs	(8.7)	(7.5)	16%
Other	(9.6)	(6.4)	49%
Gross profit	242.4	183.6	32%

Operating Cost Growth



Cash Flow

€m	2007	2006	Change
Operating profit	72.1	45.5	+59%
Depreciation and disposals	21.1	16.4	
Employee share schemes	6.2	3.2	
Working capital	12.2	11.2	
Maintenance capex	(4.9)	(4.6)	
Operating cashflow	106.7	71.7	+49%
Enhancement capex	(10.5)	(21.2)	
Acquisitions	(5.4)	-	
Share issues, interest and disposals	4.5	7.8	
Corporation tax	(14.1)	(8.5)	
LTIP share purchases	(6.7)	(3.7)	
Dividends	(19.5)	(11.3)	
Purchase of own shares	(54.2)	-	
Net increase in cash	0.8	34.8	
Cash at year end	87.9	87.1	+1%

Capital Expenditure

€m	'Maintenance'	'Enhancement'	Total
Irish Retail	1.7	7.0	8.7
UK Retail	0.3	0.5	0.8
Non Retail & HO	2.9	3.0	5.9
Total	4.9	10.5	15.4

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

Cash Returns to Shareholders

€m	2007
2006 final dividend (+80%)	11.7
2007 interim dividend (+70%)	7.9
Share buyback (2.39m shares, 4.7% share capital, €22.42 average price)	53.6
2007 cash returns to shareholders	73.2
2007 final dividend (+54%)	17.1

Operational Review

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Divisional Summary

Turnover

€m	2007	2006	Change
Retail	1,101	963	14%
Online	630	525	20%
Telephone	297	307	-3%
Total	2,028	1,795	13%

Gross Win

Retail	157	127	24%
Online	95	67	41%
Telephone	27	24	10%
Total	279	218	28%

Operating Profit

Retail	33.7	16.0	110%
Online	32.0	23.4	36%
Telephone	6.4	6.0	7%
Total	72.1	45.5	59%

Sportsbook Gross Win Percentages

H1



H2



Irish Retail

€m	2007	2006	Change
Turnover	930	833	+12%
Gross Win	126.1	104.4	+21%
<i>Sportsbook Gross Win %</i>	<i>13.6%</i>	<i>12.5%</i>	
Operating Profit	34.6	22.0	+57%
<i>Shops at year end</i>	<i>178</i>	<i>160</i>	

- Exceptional gross win percentage driven by poor performance of Irish punters' selections in H107 (H207 sportsbook gross win:12.4%)
- Like-for-like growth: turnover 5%, gross win 14%
- 18 new shops, 10 openings and eight acquired
- Market remains competitive
- Strong growth driven by brand, people, product and estate investment

UK Retail

€m	2007	2006	Change
Turnover	171.5	129.9	+32%
Gross Win OTC	20.2	15.5	+30%
<i>Sportsbook Gross Win %</i>	<i>12.6%</i>	<i>12.6%</i>	
Gross Win Machines	10.8	6.9	+58%
Total Gross Win	31.0	22.4	+39%

- Once off step change in profitability from revenue and cost initiatives
- LFL gross win growth 22% (OTC 12%, Machine 46%)
- Average drop per machine per week £725
- Aggressive cost review delivered substantial savings, offsetting AMLD and longer opening hours

* Machine gross win in table above excludes VAT

UK Retail

€m	2007	2006
Estate EBITDA	8.1	0.6
Estate Depreciation	(4.1)	(3.6)
Estate Operating Profit	4.0	(3.0)
Central Overheads	(3.7)	(3.0)
Trading Profit	0.3	(6.0)
Operating loss	(0.9)	(6.0)
<i>Shops at year end</i>	<i>58</i>	<i>58</i>

- Each group of shops opened in last four years EBIT positive
- €0.3m profit, prior to €1.2m shop closure costs
- Opportunities to reduce capital cost of new openings and leverage central overhead investment
- Detailed review of expansion opportunities completed
- Will open shops in Glasgow and Manchester as well as London

Online

€m	2007	2006	Change
Turnover	629.7	525.4	+20%
Gross Win Sportsbook	54.1	39.1	+38%
<i>Sportsbook Gross Win %</i>	<i>9.2%</i>	<i>7.9%</i>	
Gross Win Gaming	40.7	28.3	+44%
Total Gross Win	94.8	67.4	+41%
Gross Profit	75.4	51.7	+46%
Operating Profit	32.0	23.4	+36%
<i>Active Customers*</i>	<i>145,575</i>	<i>110,115</i>	<i>+32%</i>

- Sportsbook customers and bet volumes up 37% and 24%
- Over 80 new markets added in 2007
- Gaming gross win growth, notwithstanding Poker challenges
- Gross profit growth boosted by Non Retail sportsbook tax saving
- Cost increases reflecting business launches, marketing spend and variable cost increases
- Market continues to be competitive

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

Telephone

€m	2007	2006	Change
Turnover	296.6	306.6	-3%
Gross Win	27.0	24.5	+10%
<i>Sportsbook Gross Win %</i>	<i>9.1%</i>	<i>8.0%</i>	
Gross Profit	24.8	22.4	+11%
Operating Profit	6.4	6.0	+7%
<i>Active Customers*</i>	<i>21,481</i>	<i>19,971</i>	<i>+8%</i>

- Customers up 8% and average stake per bet unchanged at €103
- Bet volumes down 3% driven by event changes, high gross win percentage and migration online
- Net migration of customer spending from phone to online accelerated to 13% in H207
- Operating profit growth in 2007 follows 65% growth in 2006

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

Development and Strategy

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The Two Sides to Paddy Power



paddypower.com

TED FEST

29 Feb -2nd March 2008

Brand: Fun and Friendly

Celebrating an Irish Winner...

■ FORMER Liverpool FC player John Aldridge has teamed up with Irish bookmaker Paddy Power in offering to buy everyone in Liverpool a pint tonight if an Irish-trained horse wins the National.

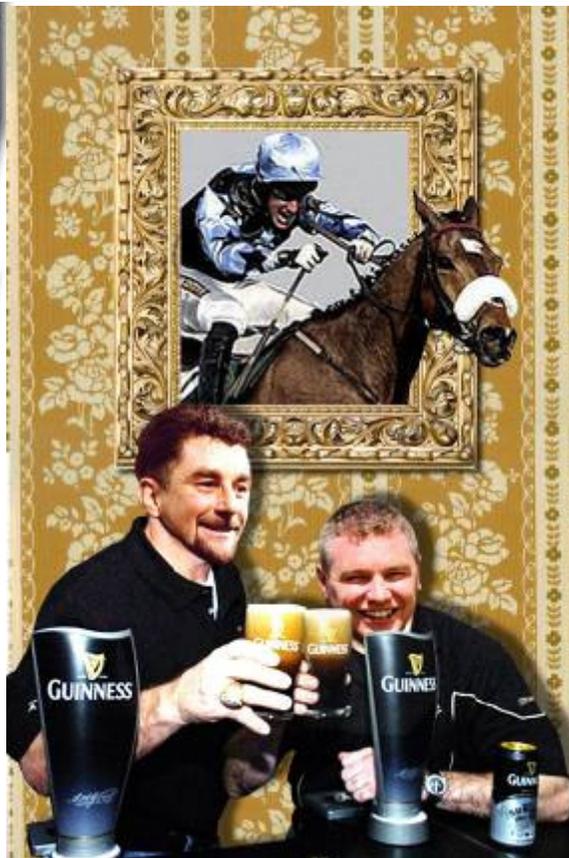
The free drinks will be served at Aldo's bar, owned by Aldridge, in Victoria Street.

BBC

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DAILY POST



Turning Tonga Green...



Los Angeles Times

THE SUNDAY TIMES

THE Sun

SKY NEWS

Herald Sun
Australia's biggest-selling daily newspaper

Daily Mail
BBC

CITY A.M.

Brand: Fair

Ireland vs. England payout The Real Al Gore...

Hamilton Payout



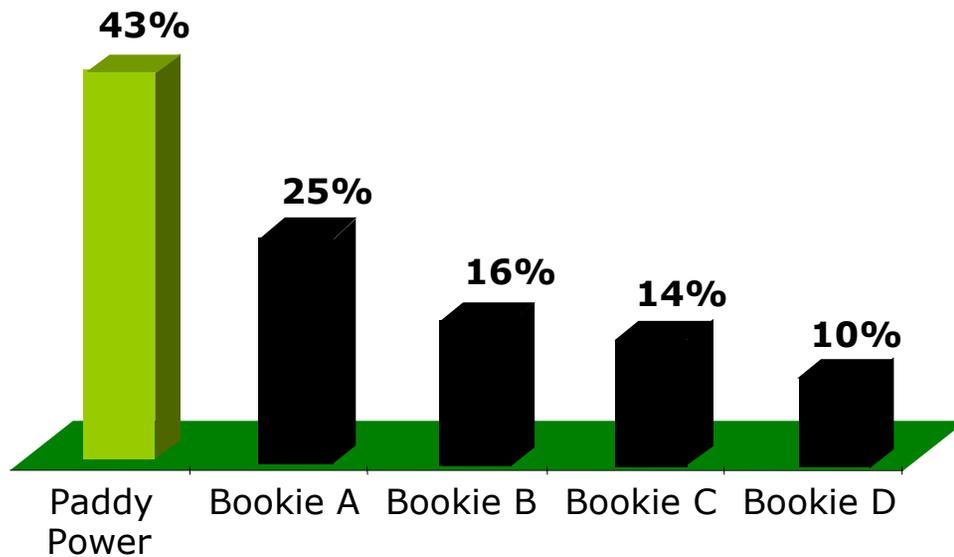
Tour de France Payout

RACING POST Bookmakers ready to turn their backs on Tour betting

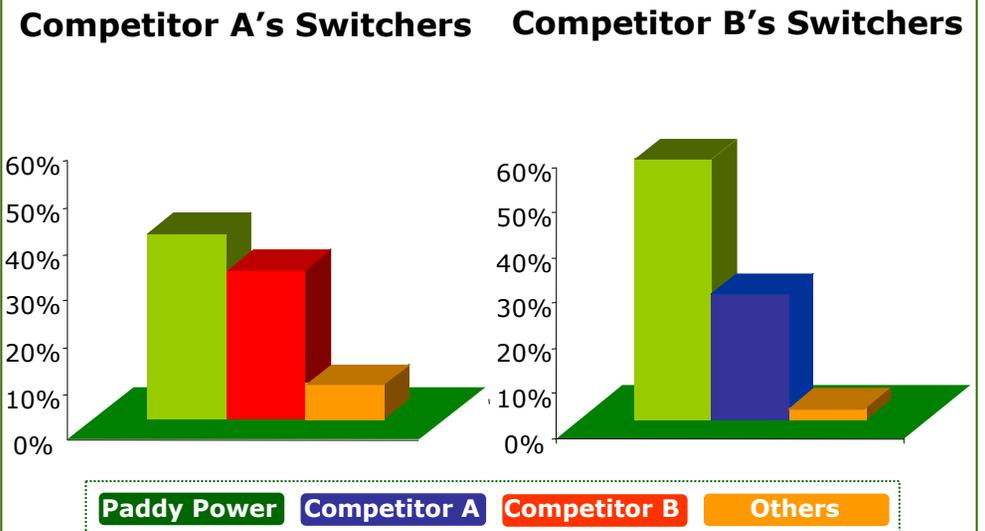
All firms will settle bets on the riders as they stand on the Paris podium, but only punters who bet with Paddy Power can get their money back on disqualified riders -- the firm say their refund policy will cost them £50,000.

Brand Benefit

Which of the following would you like to see opening in Glasgow?



If you were considering switching LBO, who would you switch to?



Product Innovation by Different Consumer Appetites

Different Risk Appetites



- **Football, rugby, golf: insurance betting**
- **GAA: Alternative handicaps**
- **Horse racing: betting-without-the-favourite all UK and Irish races**
- **Football: Asian handicaps**

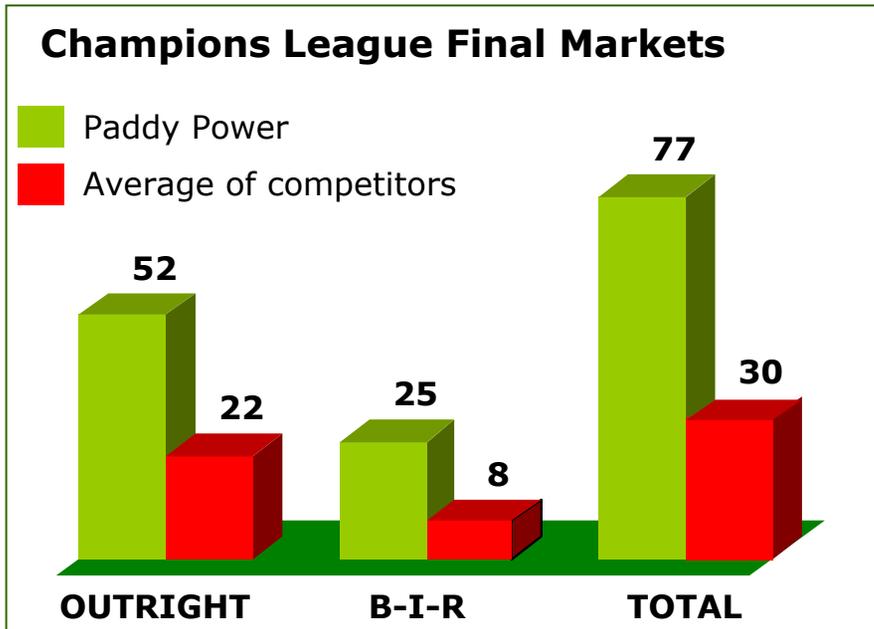
Different Time Horizons



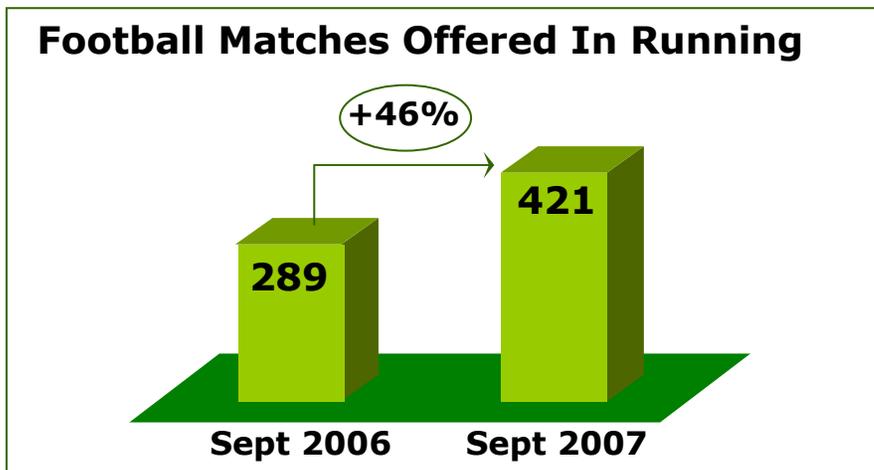
- **Horse racing: B-I-R all terrestrial TV races**
- **Speedway and Nascar: B-I-R**
- **Golf: B-I-R on next hole**
- **Ice hockey: B-I-R**

New Product Development: Benefits

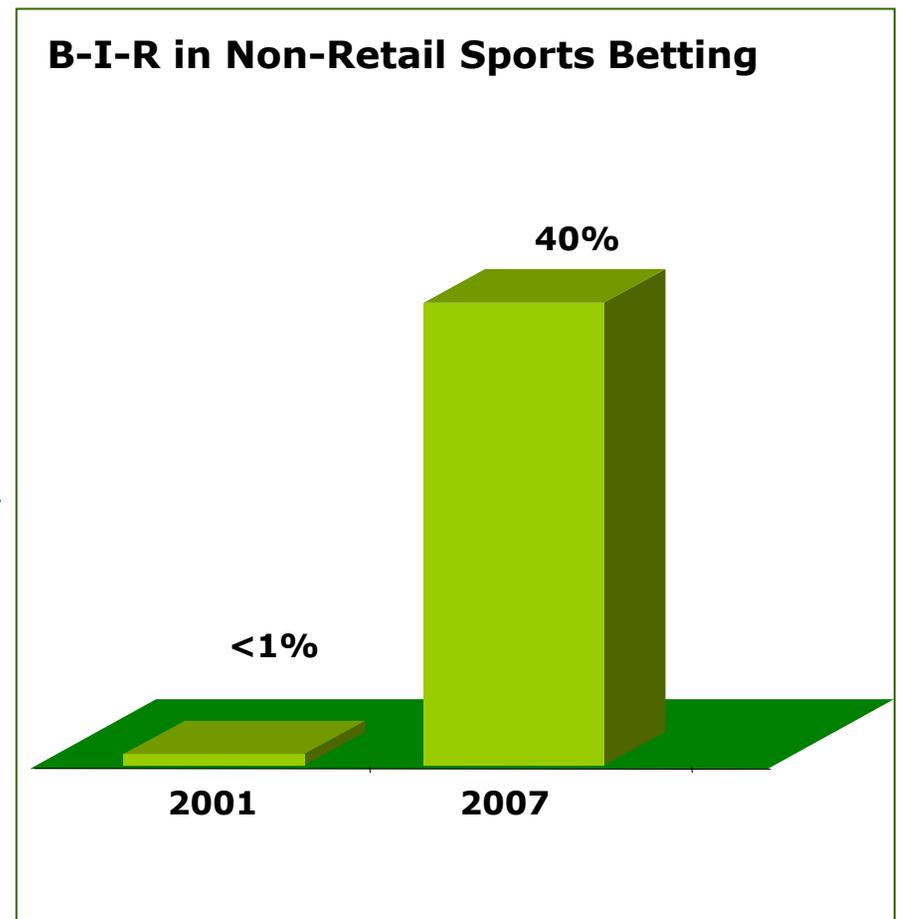
More Markets...



And More Matches...



More Turnover



Delivering Strong Growth

2001

2007

CAGR

Turnover €461m €2,028m +28%

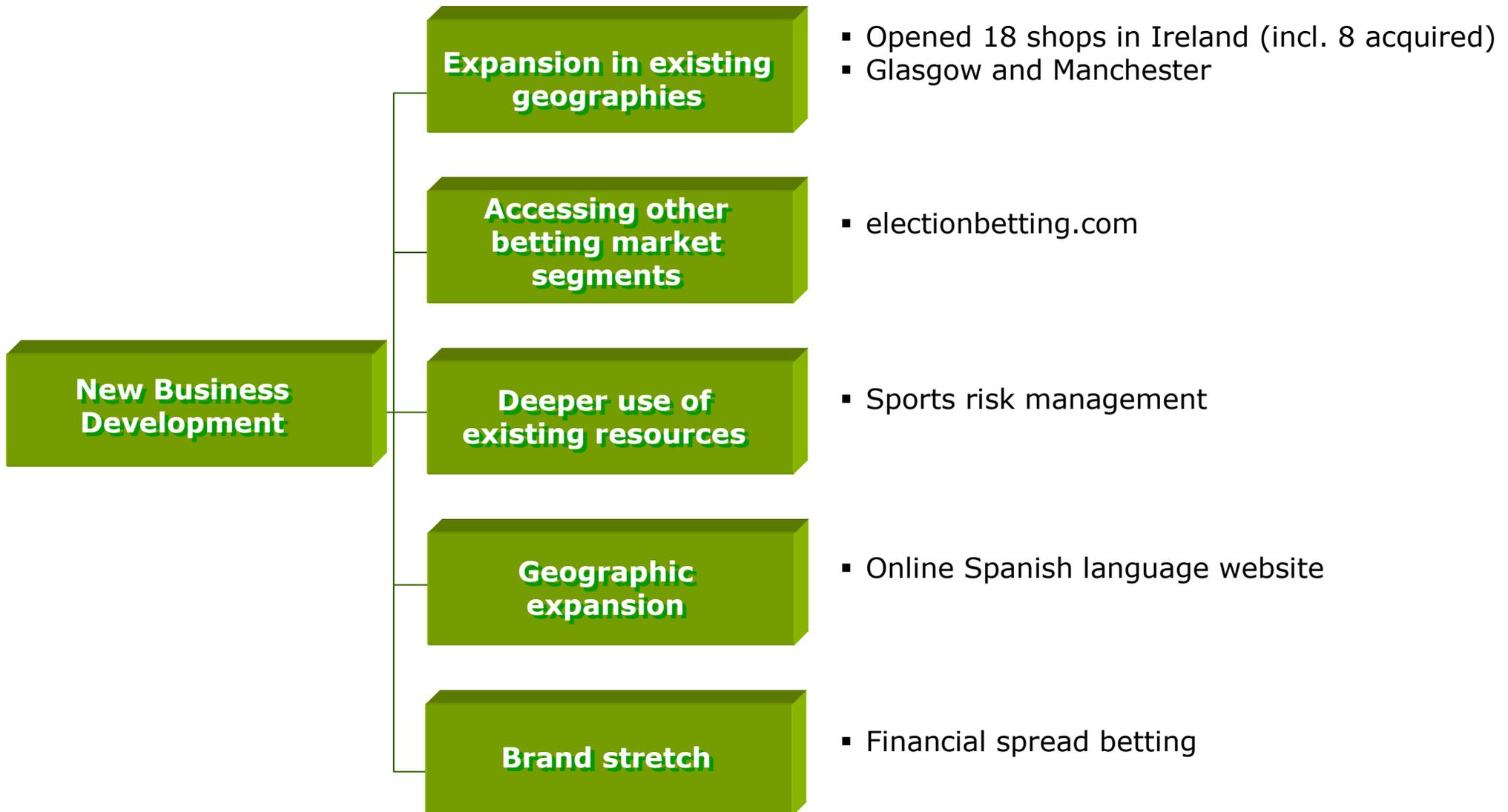
EBIT €8.5m €72.1m +43%

EPS 16.0 cent 127.4 cent +41%

Dividend 5.1 cent 51.0 cent +47%

New Business Development

2007 Developments





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Obama Costs Irish Bookie \$75,000

Mon, Jan 7, 2008 7:39am EST

Obama Costs Irish Bookie \$75,000

Paddy Power pay out on Barack Obama as Democratic nominee

DUBLIN, January 7, 2008 (Reuters) -- Ireland's largest bookmaker, Paddy Power, are today claiming that the Democratic Nomination race is well and truly over and are already paying out on Barack Obama to be the successful Democratic nominee.

The early payout signals a massive EUR50,000 (\$75,000) payday to lucky punters who backed Obama over the recent number of weeks at various odds ranging from 4/1 to 4/3.

The unexpected decision by the Irish bookmaking firm comes almost a week after the Iowa primary election and just a day before the New Hampshire primary election where Barack is now the odds on favourite at 1/13 to demolish his Democratic rival Hillary Clinton.



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news

Ireland's Paddy Power Pays Out on Ahern Winning Third Term

By John Fraher

May 26 (Reuters) - Ireland's bookmaker Paddy Power has paid more than 300,000 euros (\$462 million) to customers who bet Irish Prime Minister Bertie Ahern would win a third term in yesterday's election.

"As far as we are concerned, Bertie is first past the post and we are paying out on him," the Irish-based company said in an e-mail today. More than 1.1 million euros in bets have been placed on the outcome of the election, Paddy Power said.

Ahern's Fianna Fail party won 41.6 percent of the vote, according to the Central Electoral Commission for state-owned RTE, ending another term in his grasp. The party's junior partner, the Progressive Democrats, got 2.6 percent and Enda Kenny's Fine Gael secured 20.3 percent. The poll showed.

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Monday, Jan 7 2008

Obama Costs Irish Bookie \$75,000

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PR NEWSWIRE

Context

DUBLIN, January 7, 2008 (PRNewswire via COMTEX) -- Ireland's largest bookmaker, Paddy Power, are today claiming that the Democratic Nomination race is well and truly over and are already paying out on Barack Obama to be the successful Democratic nominee.

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IRISH
election
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Outlook

- Strong outlook
- Very attractive market positions
- Current sterling exchange rate will reduce EBIT by €4m
- Trading year to date has benefited from good gross win percentages
- Good momentum



“the Group is confident of its prospects for 2008 and beyond”

Coming soon....

