

The Daily Power

sports • poker • casino • games • bingo • auctions • mobile • skill

Paddy Power plc

**INTERIM RESULTS
2006**



GERMANY
AUSTRIA

“They just kept on going. It was like nothing could stop them”

PADDY POWER MARCH ON INTO EUROPE German language website launched
Full story: Page 7

NEW WORLD RECORD SET!



The new World Strip Poker Champion who beat nearly 200 other players celebrated winning the £10,000 prize by removing his remaining clothes, thus securing a further £10,000 for charity.



paddypowerauctions
BID LOW - WIN BIG!



WIN A GIANT PLASMA TV!

SAMSUNG

bid now!

“It’s a numbers game”



Paddy Power plc, Ireland’s largest betting and gaming company, has added Bingo to its roster of online games. This adds to their existing ...

Full story: Page 12

Paddy Power

The opening of the 200th Paddy power shop took place amid record revenue streams

200TH SHOP OPENS

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

- Turnover and profit growth across all channels
- Recent new business launches continue to grow strongly
- Reverse auctions, online bingo and German language website launched this year
- Retail expansion continues: now 200+ shops

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

Financial Highlights

Paddy Power
Interim Results 2006

€m	2006	2005	Change
Turnover	877.6	690.1	+27%
Gross Win	105.0	80.9	+30%
Gross Profit	85.2	68.7	+24%
Operating Profit	19.6	17.8	+11%
PBT	20.5	18.4	+12%
PAT	17.5	15.8	+11%
Basic EPS	34.8c	31.7c	+10%
Interim Dividend	9.43c	7.75c	+22%

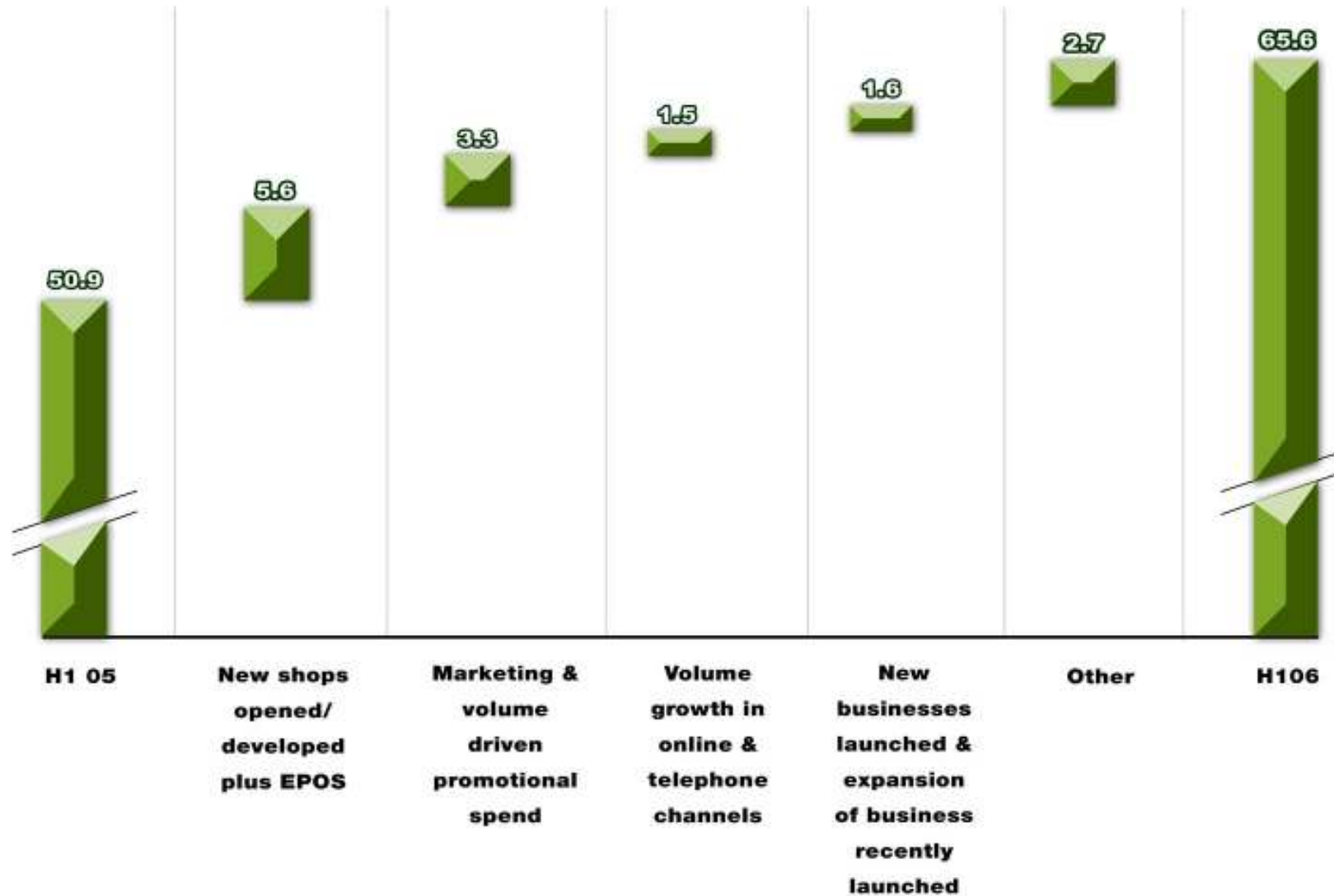
- Strong turnover growth across all three channels
- Gross win growth boosted by online gaming
- Cost growth from increased turnover and investment for future
- Profit growth notwithstanding €4m once-off cost from early introduction of 'tax-free' betting
- Effective tax rate 14.6%, likely to increase by c.2% going forward
- Intention to increase full year dividend payout ratio to 40%

Gross Win to Gross Profit

Paddy Power
Interim Results 2006

€m	2006	2005	Change
Gross Win	105.0	80.9	+30%
Betting Taxes / Levies	12.6	7.1	+78%
Software Supplier Costs	5.0	2.7	+84%
Other	2.2	2.4	-14%
Gross Profit	85.2	68.7	+24%

Operating Cost Growth (€m)



Cash Flow

€m	2006	2005	Change
Operating Profit	19.6	17.8	+11%
Depreciation	6.5	5.3	
Employee Share Schemes	1.6	0.8	
Working Capital	8.8	1.1	
Cash from Operations	36.5	25.0	+46%
Capex	(12.6)	(11.5)	
Corporation Tax	(1.0)	(2.4)	
Dividends	(6.5)	(6.3)	
Purchase of Shares for LTIP	(3.7)	(2.6)	
Share Issues, Interest & Disposals	3.2	0.7	
Net Increase in Cash	15.9	2.9	

€m	'Maintenance'	'Enhancement'	Total
EPOS	0.0	5.1	5.1
Irish Retail	1.0	2.2	3.2
UK Retail	0.1	2.6	2.7
Other	1.1	0.7	1.8
Total	2.2	10.6	12.8

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

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

- Paddy Power introduces tax free betting (once-off cost of €4m)
- Record 10 Irish winners at Cheltenham
- Irish 1,2,3,4 at Grand National
- Ireland win Triple Crown
- Munster (finally!) win Heineken Cup

- Excellent turnover and customer acquisition
 - Turnover €48m, €37m from matches played by 30 June
- Paddy Power difference
 - Product range
 - Money-back specials
 - Novelty bets



Divisional Summary

Paddy Power
Interim Results 2006

	€m	2006	2005	Change
Turnover	Retail	474.7	401.3	+18%
	Telephone	155.0	127.6	+22%
	Online	247.9	161.2	+54%
	Total	877.6	690.1	+27%
Gross Win	Retail	61.8	49.6	+25%
	Telephone	12.4	11.0	+13%
	Online	30.8	20.3	+51%
	Total	105.0	80.9	+30%
Operating Profit	Retail	6.7	6.7	+1%
	Telephone	3.2	3.0	+8%
	Online	9.7	8.1	+19%
	Total	19.6	17.8	+11%

Review of Sportsbook Gross Win

Retail

Telephone

Online

Gross win range %

11-13%

8-9%

8-9%

Actual gross win %

12.5%

8.0%

7.6%

- Different sports mix by channel
- Non retail impacted by:
 - Strong B-I-R growth
 - Poor football results



€m	2006	2005	Change	
Turnover	474.7	401.3	+18%	<ul style="list-style-type: none"> • 27 more shops opened since June 2005 • Slip growth 8%, average stake growth 10% • EPOS rolled out to 185 shops • Strong gross win % from: <ul style="list-style-type: none"> – Better horseracing/ greyhound results – EPOS – More ‘multiples’
Gross Win	61.8	49.6	+25%	
<i>Sportsbook Gross Win %</i>	<i>12.5%</i>	<i>12.0%</i>		
Gross Profit	51.0	43.7	+17%	
Operating Profit	6.7	6.7	+1%	
<i>Shops at period end</i>	<i>205</i>	<i>178</i>		

€m	2006	2005	Change	
Turnover	414.4	356.7	+16%	<ul style="list-style-type: none"> • LFL turnover growth 12% • Strong growth driven by brand, people and product plus estate investment, Irish economy, move to 'tax-free' • Four shops opened and expect to open at least further six in '06 • Seven shops refitted/extended • Turnover tax halved from 2% to 1% in July reducing H206 cost by €4m
Gross Win	51.6	42.7	+21%	
<i>Sportsbook Gross Win %</i>	<i>12.4%</i>	<i>12.0%</i>		
Operating Profit	9.7	8.6	+13%	
<i>Shops at period end</i>	<i>154</i>	<i>145</i>		

€m	2006	2005	Change	
Turnover OTC	57.2	42.9	+33%	<ul style="list-style-type: none"> • Strong OTC growth driven by 18 new openings • Improved gross win % in line with Irish retail estate • LFL OTC gross win growth 1%, impacted by strong LFL FOBT growth, 51% • Total gross win growth of 56%, LFL estate 13% • 2003 and 2004 shop group EBITDA positive • Increased loss reflecting 18 new openings and infrastructure investment
Gross Win OTC	7.1	5.2	+38%	
<i>Sportsbook Gross Win %</i>	<i>12.5%</i>	<i>12.1%</i>		
Gross Win FOBT*	3.6	1.7	+112%	
Operating Loss	(3.0)	(2.0)	- 54%	
<i>Shops at period end</i>	<i>51</i>	<i>33</i>		

* For consistency with 2005, shown prior to deduction of VAT of €0.5m under IFRS

CUSTOMER SATISFACTION

- Our punters rate us more highly, on all key attributes, than those of competitors

BRAND RECOGNITION

- 72% amongst regular punters in London

FOBT MOMENTUM

- 51% LFL growth H1
- Still substantial potential; some offset from AMLD

FINANCIAL IMPROVEMENT

- 2003 and 2004 shop group now EBITDA positive

IMPENDING DEGREULATION

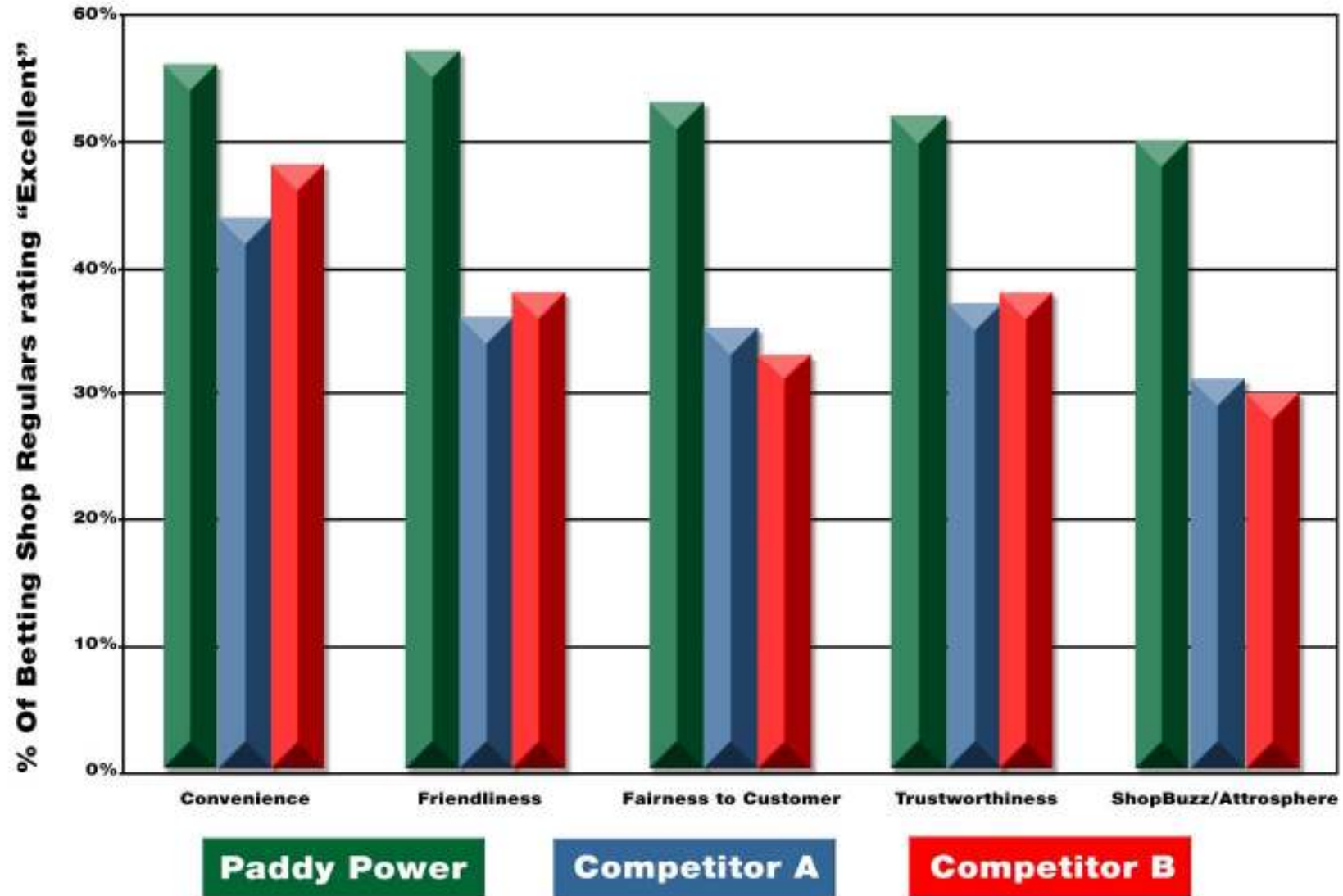
- Extended hours; higher payout machines; no demand test

SHOP OPENINGS

- Priority to optimise our proposition prior to deregulation
- Performance takes priority

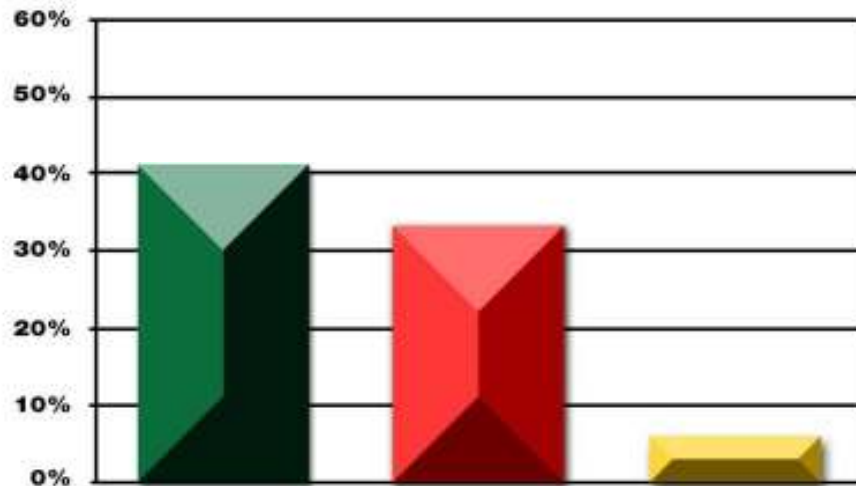
Highest Punter Satisfaction

Paddy Power
Interim Results 2006



Destination of which LBO they would switch to:

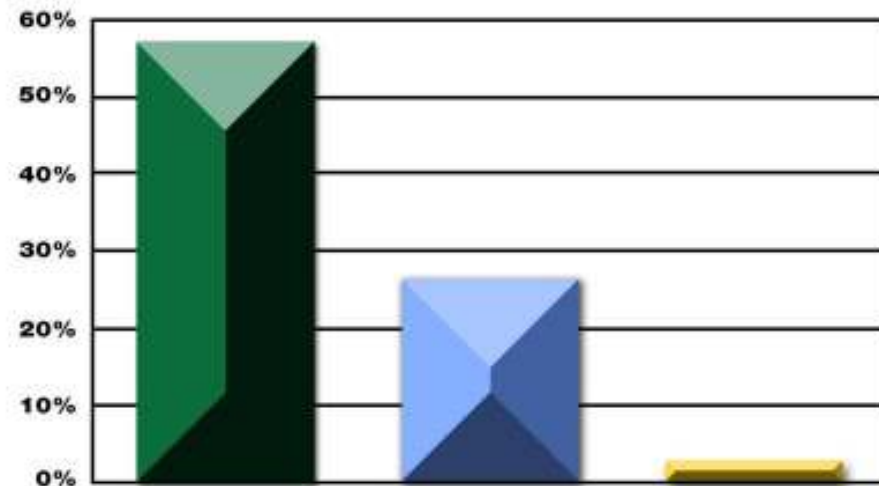
Competitor A Switchers



Paddy Power

Competitor B

Competitor B Switchers



Competitor A

Others

€m	2006	2005	Change	
Turnover	155.0	127.6	+22%	<ul style="list-style-type: none"> • Average stake up 12% to €99 • Call centre successfully relocated increasing capacity • Operating costs increases from growth and relocation, partially offset by operational efficiencies and reductions negotiated • Strong customer growth from World Cup and racing festivals
Gross Win	12.4	11.0	+13%	
<i>Sportsbook Gross Win %</i>	<i>8.0%</i>	<i>8.6%</i>		
Gross Profit	11.2	9.5	+18%	
Operating Profit	3.2	3.0	+8%	
<i>Active Customers*</i>	<i>25,418</i>	<i>21,433</i>	<i>+19%</i>	

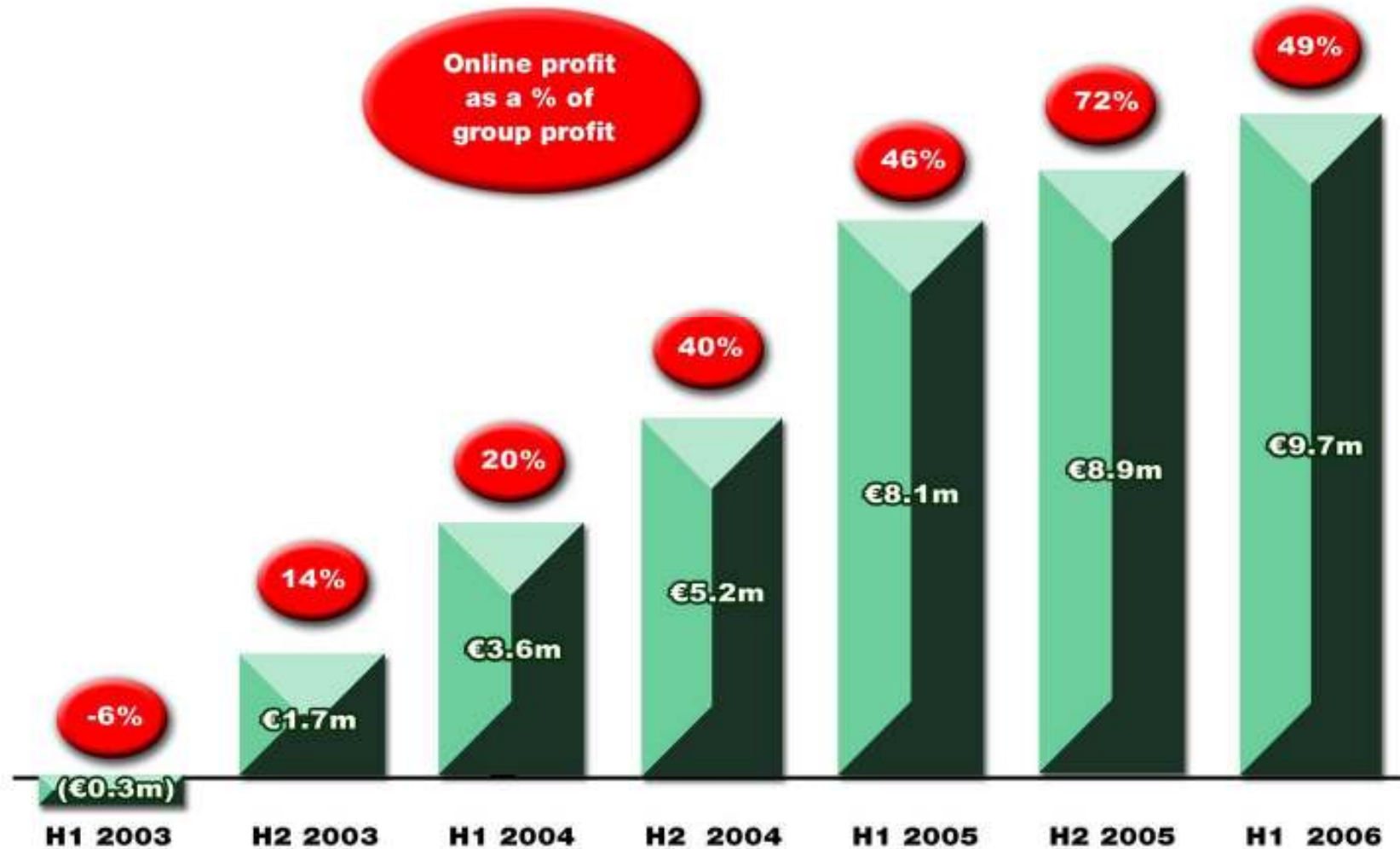
* Active customers defined throughout as those who have bet in the last 3 months

€m	2006	2005	Change
Turnover	247.9	161.2*	+54%
G/Win Sportsbook	17.8	12.9	+38%
<i>Sportsbook Gross Win %</i>	<i>7.6%</i>	<i>8.4%</i>	
G/Win Gaming	12.9	7.4	+76%
Total Gross Win	30.8	20.3	+51%
Gross Profit	23.0	15.5	+48%
Operating Profit	9.7	8.1	+19%
<i>Active Customers</i>	<i>133,374</i>	<i>73,999</i>	<i>+80%</i>

- 57% growth in bet volumes; 2% decrease in average stake consistent with customer movement from telephones
- German language sportsbook launched with localised content
- Growth in each of Casino, Poker and Games; gross win +32% versus H205
- Investment in dedicated management teams, product expansion and marketing

* Presentation revised to include all gaming turnover at net winnings rather than amounts staked

Online Profit Growth



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

Brand & PR: The Irish Open

Paddy Power

Interim Results 2006



Brand & PR: Burton Albion Sponsorship

Paddy Power

Interim Results 2006



Paddy Power World Strip Poker Tournament

Paddy Power
Interim Results 2006



MEDIA IN ATTENDANCE

ITN, Sky News, Reuters, ABC, RTL, TF1, BBC Radio Five Live, The Sun, Metro, Nuts, Maxim, DPA, Dutch PA, Inside Edge and many more!

PADDY POWER 2006 SOCCER MONEY-BACK SPECIAL

*“If your team loses on penalties
we’ll refund your losing single stake!”*

Paid out on:

- F.A. Cup Money-Back on West Ham
- World Cup Money-Back on Switzerland
- World Cup Money-Back on Argentina
- World Cup Money-Back on France
- World Cup Money-Back on England

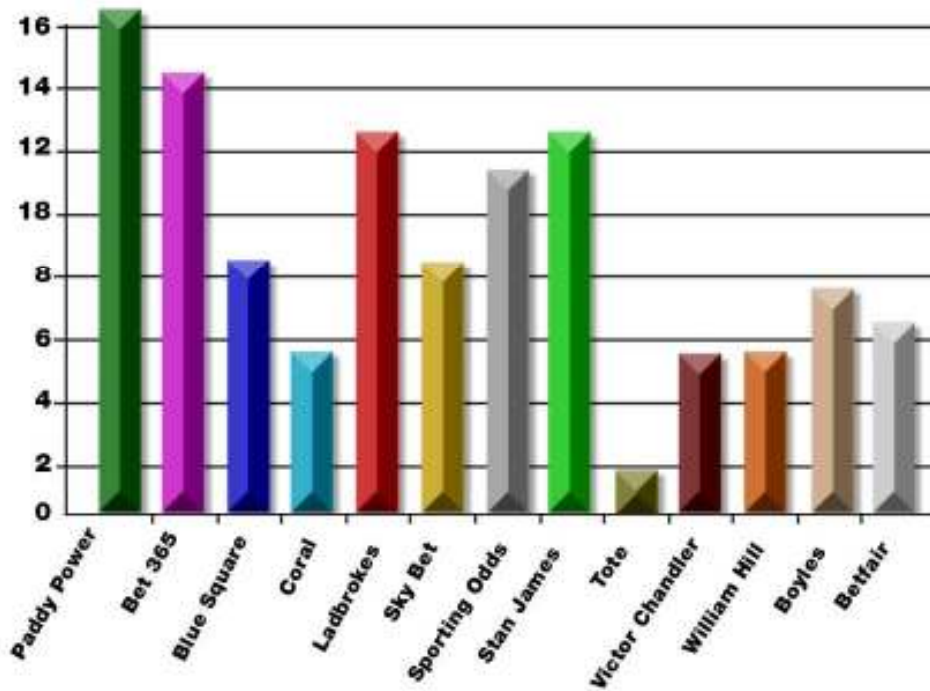


- **Horse Racing**
 - Early prices
 - Insurance
 - Place only
 - Match betting
 - Distance betting
 - Betting without the favourite
- **Sports**
 - Gaelic games handicaps
 - Tennis next game betting
 - More football and rugby betting-in-running

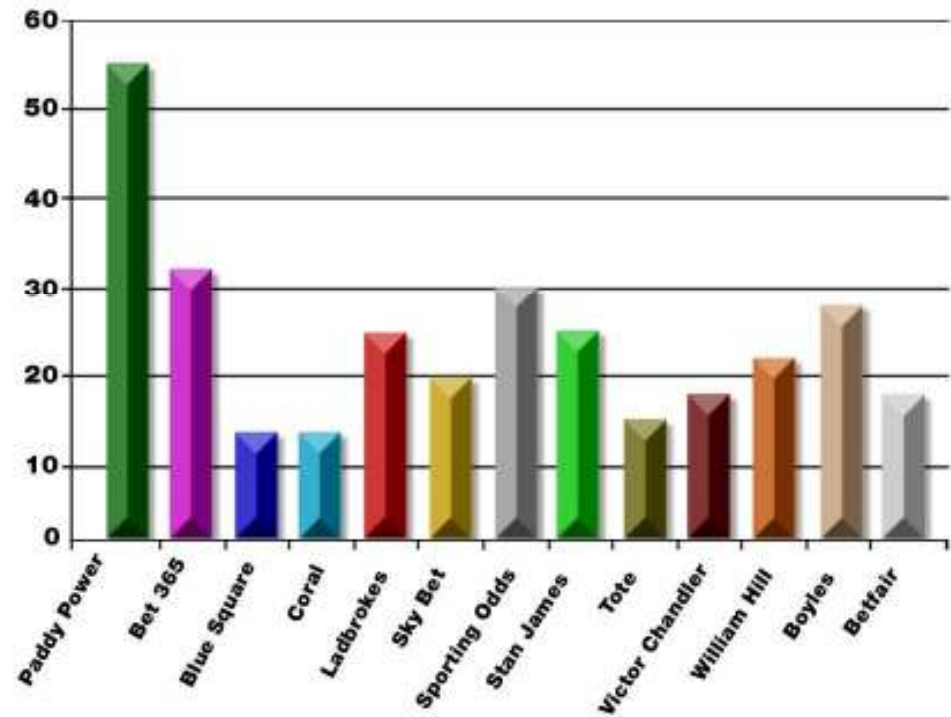


World Cup Match Markets Offered

Number of B-I-R Markets



Number of Outright Markets



New Business Development

Paddy Power

Interim Results 2006

The image displays three screenshots of Paddy Power's online platforms:

- paddypower.com:** The main sports betting website. It features a navigation menu with categories like 'SPORT', 'POKER', and 'SPOLE'. A prominent banner offers a '50€ NEUKUNDEN-BONUS' (New Customer Bonus). Below this, there are sections for 'Live-Wetten' (Live Betting) and 'Politik' (Politics), with specific offers for various sports and events like the US Open and German elections.
- paddypowerauctions.com:** An auction website. It features a 'QUICK GUIDE' and a 'WINNER!' banner. The main content area displays an auction for a 'PDP Micro TV' with details such as 'Best Offer: €1,279.00' and 'End Date: 08/08/2006'.
- paddypowerbingo.com:** A bingo website. It includes a 'bingo explained' section with a cartoon character, a 'Join now!' button, and a 'welcome to bingo' message. A 'recent winners' list is visible on the right, and a 'Red Raw 64!' promotion is featured at the bottom.



Irish Retail

- Leading a growing market
- Tax free
- Casinos to be introduced
- FOBT's ?
- Consolidation

UK Retail

- Strong progress across many fronts
- Deregulation

Non-Retail

- Platform for further product and geographic expansion
- European deregulation
- Consolidation

- In the second half...
 - Business continues to grow strongly
 - ‘...the Group remains on track to deliver its targeted operating profit for the year...which would represent around 40% growth on last year’

- And beyond...
 - Very strong prospects through combination of
 - Positions in each channel
 - People, brand and product innovation

**PADDY POWER.
THE ONLY COMPANY IN
IRELAND NOT SPONSORING
THE RYDER CUP**

WHAT WE SAVE ON SPONSORSHIP - WE GIVE BACK TO CUSTOMERS

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