

Ladbrokes^{PLC}

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Group Finance Director

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casino

Vernons

Summary of performance

Half year to 30 June

| | 2007 £m | 2006 £m | Variance B(W)% |
|---|--------------|--------------|-------------------|
| Continuing operations | | | |
| Operating profit ⁽¹⁾ | 195.0 | 151.3 | 28.9 |
| Net finance costs ⁽¹⁾ | (34.4) | (19.9) | (72.9) |
| Interest income on Hotels sale proceeds | - | 24.0 | (100.0) |
| Profit before tax⁽¹⁾ | 160.6 | 155.4 | 3.3 |
| Effective tax rate ⁽¹⁾ | 16% | 24% | |
| EBITDA ⁽¹⁾ | 219.4 | 171.3 | 28.1 |
| EPS⁽¹⁾ | 21.5p | 9.8p | 119.4 |

⁽¹⁾ Before non-trading items

Betting and Gaming

| Half year to 30 June | Gross Win | | | Operating Profit | | |
|----------------------|--------------|--------------|-------------------|------------------|---------------------------|-------------------|
| | 2007 £m | 2006 £m | Variance B(W)% | 2007 £m | 2006 ⁽¹⁾ £m | Variance B(W)% |
| UK Retail | 370.3 | 366.4 | 1.1 | 100.9 | 114.1 | (11.6) |
| Ireland & Belgium | 49.8 | 41.2 | 20.9 | 13.5 | 8.5 | 58.9 |
| eGaming | 78.1 | 72.6 | 7.6 | 26.3 | 18.5 | 42.2 |
| Telephone Betting | 112.2 | 33.6 | 233.9 | 63.3 | 16.4 | 286.0 |
| Other ⁽²⁾ | 13.6 | 9.3 | 46.2 | (0.6) | 1.8 | (133.3) |
| Corporate Costs | - | - | | (8.4) | (8.0) | (5.0) |
| Total | 624.0 | 523.1 | 19.3 | 195.0 | 151.3 | 28.9 |

(1) Restated divisions operating profit. Total operating profit remains unchanged

(2) Other is Vernons, casino and international development operations

UK Retail – Results

| | 2007 £m | 2006 ⁽¹⁾ £m | Variance B(W)% |
|---|------------|---------------------------|-------------------|
| Half year to 30 June | | | |
| OTC gross win | 249.6 | 261.8 | (4.7) |
| Machines gross win | 120.7 | 104.6 | 15.4 |
| Total gross win | 370.3 | 366.4 | 1.1 |
| Adjustments to gross win ⁽²⁾ | (16.6) | (14.8) | |
| Net revenue | 353.7 | 351.6 | 0.6 |
| Gross profits tax | (36.8) | (38.5) | 4.4 |
| Staff costs | (96.6) | (89.9) | (7.5) |
| Property costs ⁽³⁾ | (45.7) | (41.4) | (10.4) |
| Content costs ⁽⁴⁾ | (28.5) | (28.3) | (0.7) |
| Other costs (inc. depn and FOBT tax) ⁽⁵⁾ | (45.2) | (39.4) | (14.7) |
| Operating costs | (216.0) | (199.0) | (8.5) |
| Operating profit | 100.9 | 114.1 | (11.6) |

⁽¹⁾ Restated costs and operating profit

⁽²⁾ Fair value adjustments, VAT, associate income

⁽³⁾ Rent, rates and utilities ⁽⁴⁾ Pictures, data, levy, Sky

⁽⁵⁾ Depreciation = £19.9m (2006: £16.3m), FOBT tax = £6.8m (2006:£nil)

UK Retail – KPIs

| Half year to 30 June | 2007 | 2006 | Variance B(W)% |
|---|--------|--------|-------------------|
| OTC margin | 17.5% | 16.9% | |
| Like for like OTC gross win growth | (5.2)% | 1.4% | |
| Like for like machines gross win growth | 14.2% | 0.1% | |
| Like for like total gross win growth | 0.3% | 1.0% | |
| Like for like total costs ⁽¹⁾ increase | 4% | 3% | |
| Like for like shop staff costs in/(de)crease | 6.9% | (0.3)% | |
| Stake per slip ⁽²⁾ | £8.14 | £8.36 | (2.6) |
| Average number of FOBTs | 6,714 | 6,797 | (1.2) |
| Average weekly gross win per FOBT | £651 | £548 | 18.8 |

⁽¹⁾ Excludes VAT, Gross profits tax and FOBT tax

⁽²⁾ Slips exclude machines

Ireland

| Half year to 30 June | 2007 £m | 2006 ⁽¹⁾ £m | Variance B(W)% |
|---------------------------------------|------------|---------------------------|-------------------|
| Gross win | 32.8 | 23.2 | 41.4 |
| Fair value adjustments | (0.2) | (0.1) | |
| Net revenue | 32.6 | 23.1 | |
| Duty / Gross profits tax | (2.2) | (3.3) | |
| Other costs | (17.9) | (13.0) | (37.7) |
| Operating profit | 12.5 | 6.8 | 83.8 |
| Like for like gross win increase | 15.7% | 30.4% | |
| Shop numbers at the end of the period | 206 | 165 | 24.8 |

⁽¹⁾ Restated costs and operating profit

eGaming – Net revenue

| Half year to 30 June | 2007 £m | 2006 £m | Variance % B(W) |
|----------------------|-------------|-------------|--------------------|
| Sportsbook | 27.1 | 23.8 | 13.9 |
| Poker | 15.7 | 18.4 | (14.7) |
| Casino | 22.2 | 19.4 | 14.4 |
| Games | 7.5 | 5.0 | 50.0 |
| Net revenue | <u>72.5</u> | <u>66.6</u> | 8.9 |

eGaming – Results

| | 2007 £m | %age of net revenue | 2006 ⁽¹⁾ £m | %age of net revenue | Variance B(W)% |
|---|--------------------|---------------------------|---------------------------|---------------------------|-------------------|
| Half year to 30 June | | | | | |
| Gross win | 78.1 | | 72.6 | | 7.6 |
| Fair value adjustments ⁽²⁾ | (5.6) | | (6.0) | | |
| Net revenue | <u>72.5</u> | | <u>66.6</u> | | 8.9 |
| Gross profits tax | (4.1) | 5.6 | (3.8) | 5.7 | |
| Levy | (1.6) | 2.2 | (0.8) | 1.2 | |
| Staff costs | (8.4) | 11.6 | (5.9) | 8.9 | |
| Software & geographical partners ⁽³⁾ | (8.6) | 11.9 | (15.0) | 22.5 | |
| Marketing (inc. affiliates) | (12.6) | 17.4 | (10.5) | 15.8 | |
| Banking and chargebacks | (3.0) | 4.1 | (4.8) | 7.2 | |
| Other costs (inc. depn) | (7.9) | 10.9 | (7.3) | 10.9 | |
| Operating costs | <u>(42.1)</u> | 58.1 | <u>(44.3)</u> | 66.5 | 5.0 |
| Operating profit | <u>26.3</u> | 36.3 | <u>18.5</u> | 27.8 | 42.2 |

⁽¹⁾ Restated costs and operating profit

⁽²⁾ Adjustments for commission income, free bets, promotions and bonuses

⁽³⁾ Payments to third party software and platform providers and geographical partners

eGaming – KPIs

| Half year to 30 June | 2007 | 2006 | Variance B(W)% |
|--|------|------|-------------------|
| Unique active players (000s) ⁽¹⁾ | 441 | 420 | 5.0 |
| Real money sign-ups (000s) ⁽²⁾ | 182 | 197 | (7.6) |
| Cost per acquisition ⁽³⁾ | £116 | £82 | (41.5) |
| Adjusted cost per acquisition ⁽⁴⁾ | £86 | £51 | (68.6) |

⁽¹⁾ A player who contributed to rake and/or placed a wager during the period

⁽²⁾ A new player who has registered and deposited funds during the period

⁽³⁾ Total of all online and offline marketing spend (including promotions and bonuses netted from revenue) and all affiliate expenses relating to deals where affiliates are paid a one-off fee for each sign-up and all bonus costs (except those relating to sign-ups from revenue share affiliates) divided by the aggregate real money sign-ups from non-affiliate sources and the number of real money sign-ups through affiliates that are paid a one-off fee.

⁽⁴⁾ As per cost per acquisition, but excluding any marketing costs attributed to CRM activity.

Telephone Betting – Results

| Half year to 30 June | 2007 £m | %age of net revenue excl High Rollers | 2006 ⁽¹⁾ £m | %age of net revenue excl High Rollers | Variance B(W)% |
|---------------------------------------|--------------------|--|---------------------------|--|-------------------|
| Gross win exc. High Rollers | 16.9 | | 20.3 | | (16.7) |
| Fair value adjustments | (0.6) | | (0.1) | | |
| Net revenue exc. High Rollers | <u>16.3</u> | | <u>20.2</u> | | (19.3) |
| High Rollers' net revenue | <u>95.3</u> | | <u>13.3</u> | | 616.5 |
| Net revenue | 111.6 | | 33.5 | | 233.1 |
| Gross profits tax | (16.8) | | (5.1) | | |
| Levy | (7.2) | | (1.8) | | |
| Staff costs | (4.6) | 28.2 | (4.6) | 22.8 | |
| Direct operating costs ⁽²⁾ | (1.5) | 9.2 | (1.7) | 8.4 | |
| Other costs (inc. marketing and depn) | <u>(18.2)</u> | | <u>(3.9)</u> | | |
| Operating costs | <u>(31.5)</u> | | <u>(12.0)</u> | | (162.5) |
| Operating profit | <u>63.3</u> | | <u>16.4</u> | | 286.0 |

⁽¹⁾ Restated costs and operating profit

⁽²⁾ Direct operating costs include telephone, bandwidth and banking costs

Telephone Betting – KPIs

| Half year to 30 June | 2007 | 2006 | Variance B(W)% |
|---|-------|-------|-------------------|
| No. of calls (000s) ⁽¹⁾ | 3,893 | 4,059 | (4.1) |
| Agent cost per call | 63p | 55p | (14.5) |
| Gross win margin (exc. High Rollers) | 7.4% | 8.8% | |
| Unique active players (000s) ⁽²⁾ | 97.4 | 100.1 | (2.7) |
| Average monthly active player days (000s) | 204 | 219 | (6.8) |

⁽¹⁾ Number of calls (excluding customer service calls)

⁽²⁾ A player who has placed a wager during the period

Analysis of 2007 capital expenditure

| | 2007 | 2006 |
|---|-------------|-------------|
| | £m | £m |
| Half year to 30 June | | |
| Capex | | |
| UK development ⁽¹⁾ | 10.9 | 21.5 |
| FOBTs and EPOS | 9.1 | - |
| Xtra | - | 4.3 |
| Ireland and Belgium | 5.7 | 3.3 |
| Other (including IT: £3.6m; 2006 - £5.3m) | 7.6 | 9.0 |
| European Retail | 33.3 | 38.1 |
| eGaming / Telephone Betting | 1.9 | 2.5 |
| Vernons, Casino and International development | 11.1 | 0.1 |
| Total | 46.3 | 40.7 |
| Acquisitions | | |
| Sponsio | 37.8 | - |
| Other (Casino: £8.6m, Ireland: £2.8m, Italy: £1.5m) | 12.9 | 6.2 |
| | <u>97.0</u> | <u>46.9</u> |

⁽¹⁾ Development = new licences, relocations and refurbishments

Cash Flow

| | 2007 £m | 2007 £m | 2006 £m | 2006 £m |
|---|---------------|----------------|--------------|----------------|
| Half year to 30 June | | | | |
| Cash generated by operations | | 152.5 | | 127.8 |
| Interest and tax | | (32.2) | | (0.9) |
| PPE capital spend ⁽¹⁾ | (32.7) | | (38.4) | |
| Intangibles | (13.6) | | (2.3) | |
| Acquired subsidiaries | <u>(50.7)</u> | | <u>(6.2)</u> | |
| Total capital spend ⁽¹⁾ | | <u>(97.0)</u> | | <u>(46.9)</u> |
| Cash flow after interest, tax and capital | | 23.3 | | 80.0 |
| Hotels disposal proceeds | | - | | 3,241.4 |
| Dividends paid | | (54.1) | | (4,179.6) |
| Proceeds from issue of shares, convertibles and options | | 5.0 | | 339.5 |
| Exchange and other movements | | <u>5.9</u> | | <u>(8.1)</u> |
| Net borrowings movement | | (19.9) | | (526.8) |
| Opening net borrowings | | <u>(948.9)</u> | | <u>(397.9)</u> |
| Closing net borrowings | | <u>(968.8)</u> | | <u>(924.7)</u> |
| Annualised net debt to EBITDA* ratio ⁽¹⁾ | | 2.7 | | 3.0 |

* H1 2007 plus H2 2006 (2006: H1 2006 plus H2 2005) ⁽¹⁾ Continuing operations only

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Christopher Bell
Chief Executive

Ladbrokes

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Ladbrokes' Strength of People



Brian Wallace

Group Finance
Director



Richard Ames

Managing Director
UK Retail



Alex Kovach

Managing Director
International
Development



Mike Nuttall

Managing Director
UK Casinos

Overview of Results

- New FOBTs performing well
- OTC down
- Sportsbook, Casino and Games showing good growth
- Excellent Telephone Betting performance
- Twelve Italian shops now open, applications submitted for Madrid and Basque regions



Growth Strategy

- Retail – targeted investment, future deregulation, stringent cost control
- eGaming – geographical expansion and product innovation
- New UK casino opportunity
- Italy, Spain, Taiwan, China, Vietnam
- Share buyback programme



UK Retail

- All year round evening opening
- £500 jackpots and poker/blackjack on FOBTs (8,155 machines in total)
- Broadcast advertising
- Stringent cost control



Turf TV

- Current cost per shop £1.6k per annum
- Turf TV proposed cost per shop £6.5k per annum
- Lower quality of product provided by Turf TV
- Current Turf TV commercial proposal would represent an incremental cost of c£13m per annum



UK Retail

- All year round evening opening
- £500 jackpots and poker/blackjack on FOBTs (8,155 machines in total)
- Broadcast advertising
- Stringent cost control



eGaming

- Geographic expansion
- Product development and localisation
- Cautious approach in certain jurisdictions
- Potential acquisitions judged on their individual merits



International

- Internet is catalyst for countries to re/de-regulate
- Ladbrokes well positioned to partner with government/local operators
- Speed of overseas progress governed by speed of regulation



Italian Market

- 59 million population – 50% of Italians (30 million) gamble at least once per year
- Regulated gambling market currently worth €37bn
 - Lottery (c25%)
 - Betting (c15%)
 - Bingo (c5%)
 - AWP's (c40%)
- Betting market worth over €5bn in 2006
 - €2.3bn Sports
 - €2.8bn horses

Source: AAMS; MECN; International Gaming Conference May 2007



Italian Market

- 770 existing betting shops
 - Snai: c50%
 - Sisal: c25%
 - Other / independents: c25%
- Bersani decree passed summer 2006
- New licences awarded December 2006
 - 1,576 shop licences
 - 12,173 corner licences

Source: AAMS



| | New Shop Licences | New Corners |
|---|-------------------|-------------|
|  | 441 | 4,663 |
|  | 60 | 3,839 |
|  | 7 | 1,637 |
|  | 425 | 164 |
|  | 145 | 258 |
|  | 76 | 157 |
|  | 91 | 51 |
|  | - | 58 |
|  | 27 | 28 |

Source: AAMS

Italian Strategy

- Pre-tax IRR of 15%
- Acquisition of existing shops
 - €24m capex so far on twelve shops
 - Target further acquisitions with estimated capex of c€50m
- New licences
 - c€12m – licence fee paid, estimated fit-out costs of c€18m
- Internet
 - Launch of *Ladbrokes.it* later this year



Spain

- Madrid and Basque region decrees issued
- Licence applications submitted in Madrid and Basque regions
- Joint Venture with Cirsa Slot to run Sportium brand
- Greenfield environment for sports betting



Asia

- Participation in Taiwanese sports betting bid
- China
- Vietnamese sports lottery tender



Casinos

- Remain interested in 17 new UK casinos
- Awaiting results of review by DCMS
- Machine based model



Growth Strategy

- Retail – targeted investment, future deregulation, stringent cost control
- eGaming – geographical expansion and product innovation
- New UK casino opportunity
- Italy, Spain, Taiwan, China, Vietnam
- Share buyback programme



Outlook

- Regulatory changes under 2005 Gambling Act next month
- International development plans
- Continue to seek resolution to ongoing Turf TV issue
- Gross win increased 38% during July, mainly reflecting Telephone High Rollers



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Appendix

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eGaming – KPIs

| Half year to 30 June | 2007 | 2006 | Variance % B(W) |
|---|-------------|-------------|----------------------------|
| Sportsbook | | | |
| Gross win margin | 7.9% | 6.7% | |
| Unique active players (000s) | 316 | 318 | (0.6) |
| Average monthly active player days (000s) | 640 | 644 | (0.6) |
| Yield per unique active player (£) ⁽¹⁾ | 86 | 75 | 14.7 |
| Poker | | | |
| Unique active players (000s) | 109 | 114 | (4.4) |
| Average monthly active player days (000s) | 422 | 496 | (14.9) |
| Yield per unique active player (£) ⁽¹⁾ | 144 | 161 | (10.6) |
| Casino | | | |
| Unique active players (000s) | 61 | 58 | 5.2 |
| Average monthly active player days (000s) | 77 | 72 | 6.9 |
| Yield per unique active player (£) ⁽¹⁾ | 363 | 336 | 8.0 |
| Games | | | |
| Unique active players (000s) | 94 | 62 | 51.6 |
| Average monthly active player days (000s) | 132 | 70 | 88.6 |
| Yield per unique active player (£) ⁽¹⁾ | 80 | 81 | (1.2) |

(1) Net revenue per unique active player for the period

Belgium

| | 2007 | 2006 | Variance |
|--------------------------|--------------|--------------|-----------------|
| Half year to 30 June | £m | £m | B(W)% |
| Gross win | 17.0 | 18.0 | (5.6) |
| Duty / Gross profits tax | (6.4) | (6.7) | |
| Other costs | <u>(9.6)</u> | <u>(9.6)</u> | - |
| Operating profit | <u>1.0</u> | <u>1.7</u> | (41.2) |
| Shop numbers | 279 | 299 | (6.7) |

Vernons

| Half year to 30 June | 2007 £m | 2006 £m | Variance B(W)% |
|-------------------------------|------------|------------|-------------------|
| Gross win / Net revenue | 9.0 | 9.3 | (3.2) |
| Duty / Gross profits tax | (1.3) | (1.3) | |
| Other costs | (5.0) | (5.9) | 15.3 |
| Operating profit | <u>2.7</u> | <u>2.1</u> | 28.6 |
| Customer recruitment (000's): | | | |
| New customers | 47 | 66 | (28.8) |
| Reactivated customers | 30 | 35 | (14.3) |

Other

| Half year to 30 June | Gross Win | | | Operating Profit | | |
|----------------------|-------------|------------|-------------------|------------------|---------------------------|-------------------|
| | 2007 £m | 2006 £m | Variance B(W)% | 2007 £m | 2006 ⁽¹⁾ £m | Variance B(W)% |
| Vernons | 9.0 | 9.3 | (3.2) | 2.7 | 2.1 | 28.6 |
| International | 1.1 | - | n/a | (2.6) | (0.3) | |
| Casino | 3.5 | - | n/a | (0.7) | - | n/a |
| Total | 13.6 | 9.3 | 46.2 | (0.6) | 1.8 | (133.3) |

(1) Restated divisions operating profit. Total operating profit remains unchanged

Restated⁽¹⁾ operating profit

| | 2006 Half year to 30 June | | | 2006 Year to 31 December | | |
|----------------------|---------------------------|------------------|----------------|--------------------------|------------------|----------------|
| | Reported £m | Adjustment £m | Restated £m | Reported £m | Adjustment £m | Restated £m |
| UK Retail | 111.5 | 2.6 | 114.1 | 195.4 | 4.4 | 199.8 |
| Ireland & Belgium | 8.6 | (0.1) | 8.5 | 17.3 | (0.3) | 17.0 |
| eGaming | 19.8 | (1.3) | 18.5 | 47.0 | (2.7) | 44.3 |
| Telephone Betting | 16.6 | (0.2) | 16.4 | 17.7 | (0.4) | 17.3 |
| Other ⁽²⁾ | 2.1 | (0.3) | 1.8 | 5.9 | (1.6) | 4.3 |
| Corporate Costs | (7.3) | (0.7) | (8.0) | (15.2) | 0.6 | (14.6) |
| Total | 151.3 | - | 151.3 | 268.1 | - | 268.1 |

(1) Restated divisions operating profit. Total operating profit remains unchanged

(2) Other is Vernons, casino and international development