
Ladbrokes^{PLC}

Peter Erskine
Chairman

6 August 2009

Ladbrokes^{PLC}

Brian Wallace
Group Finance Director

6 August 2009

Discontinued activities

- Italian Retail business
- Casino
 - Discussions ongoing with active buyers

Summary of performance

Half year ended 30 June	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%
Continuing operations			
Operating profit ⁽²⁾ excluding High Rollers	98.6	132.6	(25.6)
High Rollers	58.4	40.0	46.0
Operating profit ⁽²⁾	157.0	172.6	(9.0)
Net finance costs ⁽²⁾	(25.7)	(36.0)	28.6
Profit before tax⁽²⁾	131.3	136.6	(3.9)
Effective tax rate ⁽²⁾	15%	19%	
EBITDA ⁽²⁾	184.2	199.1	(7.5)
EPS⁽²⁾	18.6p	18.5p	0.5

(1) Restated for Italy Retail as a discontinued operation (2) Before non-trading items

Betting and Gaming (exc High Rollers)

Half year ended 30 June	Net revenue			Operating Profit		
	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%
UK Retail	343.6	371.1	(7.4)	82.1	98.3	(16.5)
Other European Retail	67.1	66.6	0.8	5.1	15.7	(67.5)
eGaming	84.6	86.6	(2.3)	20.8	26.2	(20.6)
Telephone Betting	9.1	15.5	(41.3)	(1.4)	2.2	(163.6)
International dev costs	-	-		(1.1)	(2.2)	50.0
Corporate Costs	-	-		(6.9)	(7.6)	9.2
Total	504.4	539.8	(6.6)	98.6	132.6	(25.6)

(1) Restated for Italy Retail as a discontinued operation and for reallocation of Spain joint venture and associated costs into Other European Retail

UK Retail – Results

Half year ended 30 June	2009 £m	2008 £m	Variance B(W)%
OTC gross win	231.6	251.8	(8.0)
Machines gross win	143.8	142.5	0.9
Total gross win	375.4	394.3	(4.8)
OTC net revenue	219.8	249.8	(12.0)
Machines net revenue	123.8	121.3	2.1
Total net revenue	343.6	371.1	(7.4)
Associate income	1.7	1.5	
Gross profits tax	(34.0)	(37.0)	
Staff costs	(99.3)	(104.6)	5.1
Property costs ⁽¹⁾	(47.1)	(47.2)	0.2
Content costs ⁽²⁾	(33.3)	(34.7)	4.0
Other costs (inc. depn) ⁽³⁾	(49.5)	(50.8)	2.6
Operating costs	(229.2)	(237.3)	3.4
Operating profit	<u>82.1</u>	<u>98.3</u>	(16.5)

(1) Rent, rates and utilities

(2) Pictures, data, levy, Sky

(3) Depreciation = £21.5m (2008: £21.4m)

UK Retail – KPIs

Half year ended 30 June	2009	2008	Variance B(W)%
OTC gross win margin	16.7%	16.7%	
Like for like OTC amts staked (decline)/growth	(7.6)%	5.2%	
Like for like OTC net revenue (decline)/growth	(11.6)%	0.4%	
Like for like total costs ⁽¹⁾ (decrease)/increase	(3)%	4%	
Like for like shop staff costs (decrease)/increase	(2.9)%	1.6%	
Stake per slip ⁽²⁾	£8.27	£8.28	(0.1)
Average number of machines	7,897	8,104	(2.6)
Average weekly gross win per machine	£703	£676	4.0

(1) Excludes VAT, Freebets, Gross profits tax and FOBT tax (2) Slips exclude machines

Ireland

Half year ended 30 June	2009 £m	2008 £m	Variance B(W)%
Gross win	45.6	47.6	(4.2)
Adjustments to gross win ⁽¹⁾	<u>(3.3)</u>	<u>(0.4)</u>	
Net revenue	42.3	47.2	(10.4)
Duty / Gross profits tax	(4.4)	(3.2)	
Other costs	<u>(32.5)</u>	<u>(28.5)</u>	(14.0)
Operating profit	<u>5.4</u>	<u>15.5</u>	(65.2)
Like for like amounts staked decrease	(7.9)%	(2.8)%	
Like for like gross win decrease	(17.9)%	(4.4)%	
Shop numbers at the end of the period	286	282	1.4

(1) Fair value adjustments, freebets and VAT

eGaming – Net revenue

Half year ended 30 June	2009 £m	2008 £m	Variance B/(W)%
Sportsbook	30.5	32.1	(5.0)
Casino	26.8	26.6	0.8
Poker	12.7	14.7	(13.6)
Games	8.5	8.5	-
Bingo	6.1	4.7	29.8
Net revenue	<u>84.6</u>	<u>86.6</u>	(2.3)

eGaming – Results

Half year ended 30 June	2009 £m	%age of net revenue	2008 £m	%age of net revenue	Variance B(W)%
Gross win	98.2		96.0		2.3
Fair value adjustments ⁽¹⁾	<u>(13.6)</u>		<u>(9.4)</u>		
Net revenue	84.6		86.6		(2.3)
Gross profits tax	(4.9)	5.8	(4.9)	5.6	
Levy and licences	(1.7)	2.0	(1.7)	2.0	
Staff costs	(10.8)	12.7	(10.8)	12.5	
Software & geographical partners ⁽²⁾	(10.8)	12.7	(11.3)	13.0	
Marketing (inc. affiliates)	(21.2)	25.1	(18.9)	21.8	
Banking and chargebacks	(3.6)	4.3	(3.4)	3.9	
Other costs (inc. depn)	<u>(10.8)</u>	12.8	<u>(9.4)</u>	10.9	
Operating costs	(58.9)	69.6	(55.5)	64.1	(6.1)
Operating profit	<u>20.8</u>	24.6	<u>26.2</u>	30.3	(20.6)

(1) Adjustments for free bets, promotions and bonuses

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

eGaming – KPIs

Half year ended 30 June	2009	2008	Variance B(W)%
Unique active players (000s) ⁽¹⁾	592	541	9.4
Real money sign-ups (000s) ⁽²⁾	249	237	5.1
Cost per acquisition ⁽³⁾	£144	£129	(11.6)
Adjusted cost per acquisition ⁽⁴⁾	£91	£88	(3.4)

(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

(exc High Rollers)

Half year ended 30 June	2009 £m	%age of net revenue	2008 £m	%age of net revenue	Variance B(W)%
Gross win	10.0		16.0		(37.5)
Fair value adjustments	<u>(0.9)</u>		<u>(0.5)</u>		
Net revenue	9.1		15.5		(41.3)
Gross profits tax	(1.5)		(2.3)		34.8
Levy	(0.8)		(1.1)		
Staff costs	(4.4)	48.4	(5.1)	32.9	
Direct operating costs ⁽¹⁾	(1.1)	12.1	(1.4)	9.0	
Other costs (inc. marketing & depn)	<u>(2.7)</u>	29.7	<u>(3.4)</u>	21.9	
Operating costs	(9.0)		(11.0)		18.2
Operating (loss)/profit	<u>(1.4)</u>		<u>2.2</u>		(163.6)

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

Telephone Betting – KPIs (exc High Rollers)

Half year ended 30 June	2009	2008	Variance B(W)%
No. of calls (000s) ⁽¹⁾	3,054	3,434	(11.1)
Agent cost per call	62p	62p	-
Gross win margin	6.0%	8.4%	
Unique active players (000s) ⁽²⁾	79.5	90.2	(11.9)
Average monthly active player days (000s)	167	186	(10.2)

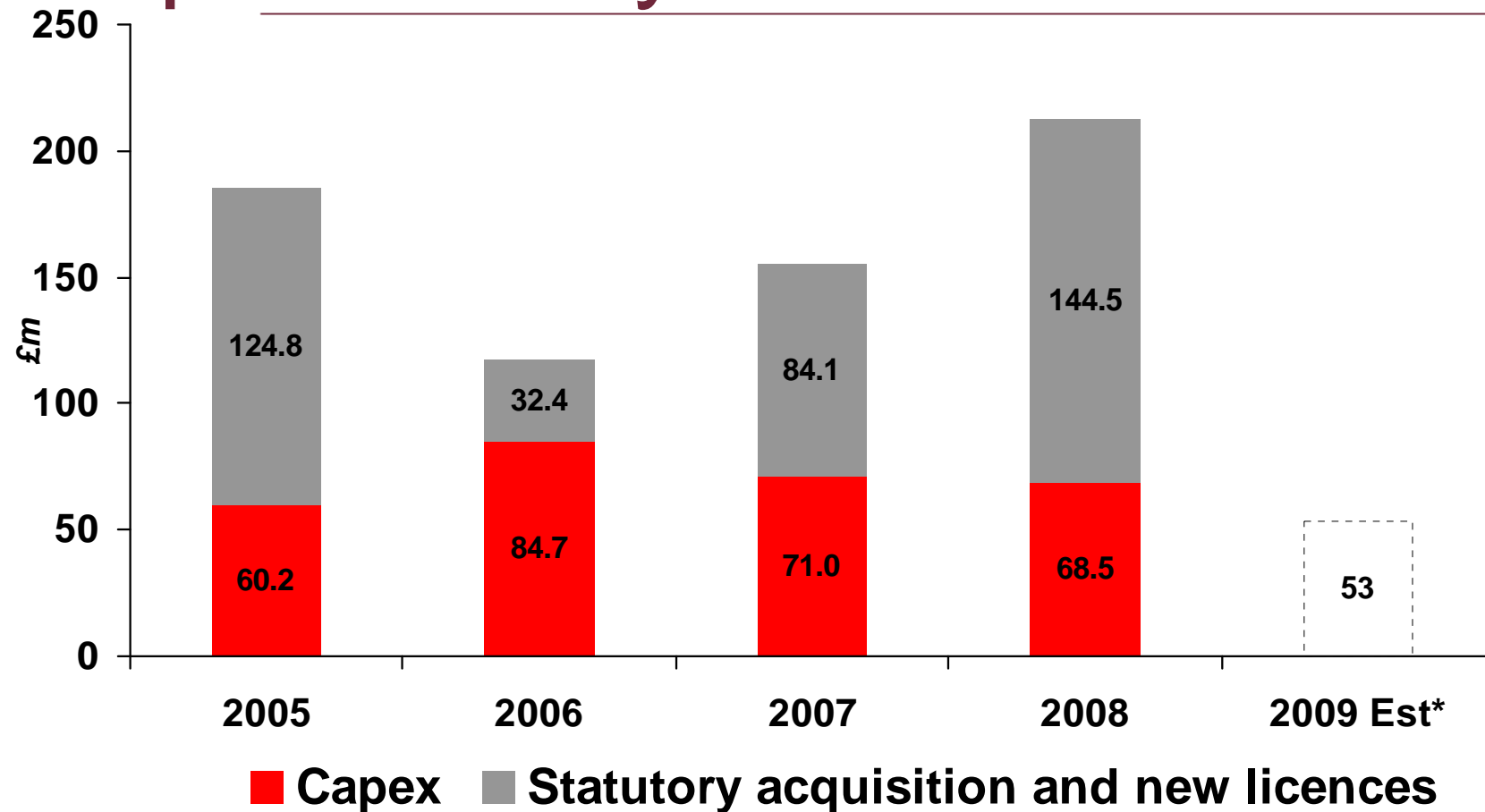
(1) Number of calls (excluding customer service calls)

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

Analysis of 2009 Capex

Half year ended 30 June	2009 £m	2008 £m
Capex		
UK Retail	11.6	15.3
Ireland	2.2	5.2
Italy	0.8	4.2
eGaming and Telephone Betting	3.2	2.5
Other	1.3	1.2
	<u>19.1</u>	<u>28.4</u>
Statutory and licence acquisitions		
Eastwoods	-	118.1
Other (2009 – Italy £2.7m, UK £0.1m; 2008 - Italy: £14.4m, Ireland: £9.9m)	2.8	24.3
	<u>2.8</u>	<u>142.4</u>
Total	<u>21.9</u>	<u>170.8</u>

Capex History – Full Year

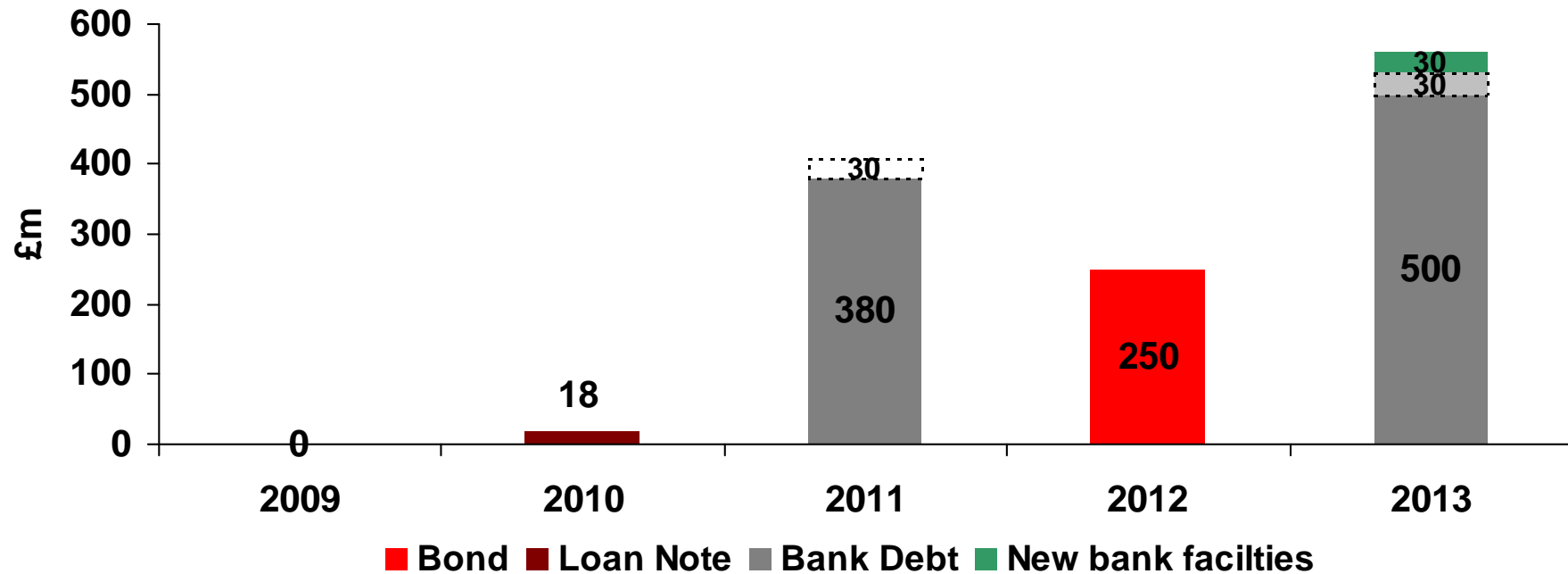


* 2009 excludes Italy

Cash Flow

Half year ended 30 June	2009 £m	2009 £m	2008 £m	2008 £m
Cash generated by operations		140.0		208.0
Interest and tax		(45.3)		(74.0)
PPE capital spend	(14.8)		(24.1)	
Intangibles	(7.1)		(7.4)	
Businesses and acquired subsidiaries	-		(139.3)	
Total capital spend		<u>(21.9)</u>		<u>(170.8)</u>
Cash flow after interest, tax and capital		72.8		(36.8)
Dividends paid		(54.4)		(54.4)
Proceeds from issue of shares and options		0.3		0.3
Share buybacks		-		(34.8)
Exchange and other movements		6.4		3.4
Net borrowings movement		25.1		(122.3)
Opening net borrowings		<u>(987.1)</u>		<u>(917.0)</u>
Closing net borrowings		<u>(962.0)</u>		<u>(1,039.3)</u>
Annualised net debt to EBITDA ratio		2.7		2.3
Annualised net debt to EBITDA ratio adjusted for high rollers		3.7		3.5

Debt summary – as at 6 August



- Repaid €464.5m (£351m) 6.5% Eurobond on 17 July
 - now have undrawn committed bank facilities of £200.1m
- Extended £30m of bank facilities from 2011 to 2013
- Signed £30m new bank facilities to 2013

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Chris Bell
Group Chief Executive

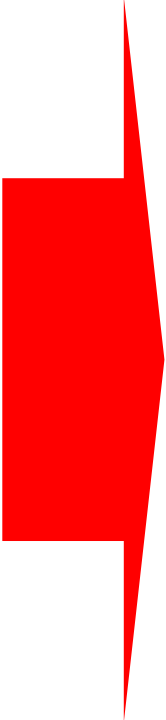
6 August 2009

Ladbrokes' priorities

Reduce costs

Drive revenues

Improve profitability & cash

- 
- UK cost reduction
 - Improving machine offering
 - Maximising OddsOn!
 - Selling Italian Retail
 - Relocating Sportsbook
 - Launching new Sportsbook

UK Retail – cost reduction

- Cost control:
 - H1 costs down 3.4%
 - Revised FY guidance from 4% growth to 1% growth
 - £14m lower than initially guided
 - Additional £12m premium pay buyout savings from Q4 2010
- Capital expenditure:
 - Opened 6 shops in H1
 - 25 new shops by full year
 - 80-90 refurb/relocations
 - £30m target for FY



UK Retail – driving revenues

- Machine initiatives

- New Cyberview/IGT software platform Q4
 - Improved functionality and graphics
 - 20 news games - with 9 exclusive
- Global Draw and Inspired Gaming trial
 - 168 shops



- Maximising OddsOn!

- Yr1: participation focus
 - 300k regulars: 50% of OTC bets
- OddsOn! freebets H1£9.6m;H2£5m
- Future customer segmentation focus

eGaming – focus on margin

- H1 Performance:
 - 9.4% rise in active customers
 - But industry trend of weakening yields
- Cost Initiatives:
 - Relocating Sportsbook to Gibraltar
 - More general cost control
 - Reduced levels of marketing spend in H2
 - CRM focus on enlarged customer base

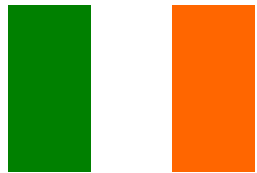


eGaming – revenue initiatives

- Sportsbook:
 - Launch of new Sportsbook by year end
 - Best Odds Guaranteed from today
 - Advertising Italian Sportsbook
- Poker:
 - Launching Italian poker site



Other European Retail



- 286 shops
- Cost focus: Lfl constant currency costs down 3.1%
- Revenue initiatives: OddsOn! 30% take up



- Encouraging staking levels but weak H1 margin
- Now 70 corners & 3 stand alone shops
- Year end aim: c100 outlets
- Further regional regulation required



- Now have 304 shops (H1 2008: 271 shops)
- Increased GW and increased costs of enlarged estate
- Italian Retail business for sale

Telephone Betting

- Core business declining
 - Competitive landscape
 - Offshore enjoy favourable tax, levy and regulatory environment
 - Costs initiatives:
 - 18.2% cost savings in H1
 - Job reduction programme
- £58.4m of High Rollers EBIT



Regulation

- UK
 - DCMS review of online regulation
 - Machine Review ongoing
- Ireland
 - Dept of Finance postponed betting tax increase
 - Dept of Justice review by end of the year
- Europe
 - Slow progress
 - France and Sweden “walled garden” approach

Ladbrokes has high quality earnings with little regulatory risk

Summary

- £14m improvement on cost guidance for UK Retail
- £12m additional savings from Q4 2010
- Renew machine offering
- Maximise returns from OddsOn!
- Sale of Italian business – cash generation and stop losses
- Relocate Sportsbook by year end
- Next generation Sportsbook launch in Q4
- Current outlook

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Appendix

Betting and Gaming (exc High Rollers)

Half year ended 30 June	Net revenue			Gross win		
	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%
UK Retail	343.6	371.1	(7.4)	375.4	394.3	(4.8)
Other European Retail	67.1	66.6	0.8	70.4	67.0	5.1
eGaming	84.6	86.6	(2.3)	98.2	96.0	2.3
Telephone Betting	9.1	15.5	(41.3)	10.0	16.0	(37.5)
Total	504.4	539.8	(6.6)	554.0	573.3	(3.4)

(1) Restated for Italy Retail as a discontinued operation and for reallocation of Spain joint venture and associated costs into Other European Retail

UK Retail – Adjustments to gross win

Half year ended 30 June

	2009			2008			Variance B(W)%
	OTC £m	Machines £m	Total £m	OTC £m	Machines £m	Total £m	
Gross win	231.6	143.8	375.4	251.8	142.5	394.3	(4.8)
Freebets	(11.8)	(1.3)	(13.1)	(2.0)	-	(2.0)	(555.0)
VAT	-	(18.7)	(18.7)	-	(21.2)	(21.2)	11.8
Net revenue	219.8	123.8	343.6	249.8	121.3	371.1	(7.4)
Gross win growth	(8.0)	0.9	(4.8)				
09 v 08 %							
Revenue growth	(12.0)	2.1	(7.4)				
09 v 08 %							

Other European Retail

Half year ended 30 June	Net revenue			Operating Profit		
	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%	2009 £m	2008 ⁽¹⁾ £m	Variance B(W)%
Ireland	42.3	47.2	(10.4)	5.4	15.5	(65.2)
Belgium	24.8	19.4	27.8	1.8	1.8	-
Spain	-	-		(2.1)	(1.6)	(31.3)
Total	67.1	66.6	0.8	5.1	15.7	(67.5)

(1) Restated for Italy Retail as a discontinued operation and for reallocation of Spain joint venture and associated costs into Other European Retail

eGaming – KPIs

Half year ended 30 June	2009	2008	Variance % B(W)
Sportsbook			
Gross win margin	7.2%	8.1%	
Unique active players (000s)	406	390	4.1
Average monthly active player days (000s)	789	805	(2.0)
Yield per unique active player (£) ⁽¹⁾	75	82	(8.5)
Casino			
Unique active players (000s)	130	99	31.3
Average monthly active player days (000s)	146	114	28.1
Yield per unique active player (£) ⁽¹⁾	206	270	(23.7)
Poker			
Unique active players (000s)	107	104	2.9
Average monthly active player days (000s)	308	371	(17.0)
Yield per unique active player (£) ⁽¹⁾	118	141	(16.3)
Games			
Unique active players (000s)	93	102	(8.8)
Average monthly active player days (000s)	125	125	-
Yield per unique active player (£) ⁽¹⁾	91	83	9.6
Bingo			
Unique active players (000s)	69	65	6.2
Average monthly active player days (000s)	136	94	44.7
Yield per unique active player (£) ⁽¹⁾	88	72	22.2

(1) Revenue per unique active player for the period

Discontinued operations

Half year ended 30 June	Net revenue			Operating loss ⁽¹⁾		
	2009 £m	2008 £m	Variance <i>B(W)%</i>	2009 £m	2008 £m	Variance <i>B(W)%</i>
Italy Retail	14.8	10.0	48.0	(4.4)	(2.6)	(69.2)
Casino	3.0	3.7	(18.9)	(0.3)	(0.3)	-
Total	17.8	13.7	29.9	(4.7)	(2.9)	(62.1)

(1) Before non-trading items

A non-trading impairment charge of £27.8m and £3.3m has been taken against Italy Retail and the casino operations respectively