

INTERIM RESULTS

Half year ended 30 June 2015



11 August 2015

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Introduction

Jim Mullen, Chief Executive



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Organic plan under way to address key challenges

- Long-term focus with specific KPIs for FY17
 - **UK Retail:** increase net revenue⁽¹⁾ and EBIT⁽²⁾ per shop on FY14
 - **Ladbrokes.com:** grow actives to at least 1.3m
 - **Australia:** at least double NGR on FY14
 - **Digital:** target a 30% contribution

- Steps taken since strategy announcement
 - New Desktop product launched
 - Scottish football sponsorship
 - Increased presence in red tops and new TV deals
 - Retail value: BOG, TTTP, five team ACCA
 - Multi-channel roll-out
 - Australia new product launches

(1) Excludes revenue from greyhound tracks

(2) After adjusting for higher Machine Games Duty and excludes greyhound tracks, associate income and exceptional items

Financial Overview

Ian Bull, CFO



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Group Financial Performance Summary

£m	15H1	14H1	Variance
Net revenue ⁽¹⁾	585.4	577.8	+1.3%
Operating profit ⁽¹⁾⁽²⁾	38.9	56.8	(31.5)%
Operating profit ADJ ⁽¹⁾⁽²⁾⁽³⁾	38.9	39.1	(0.5)%
Finance costs	(14.2)	(12.8)	(10.9)%
Profit before tax ⁽¹⁾	24.7	44.0	(43.9)%
Effective tax rate	10.2%	10.0%	
High Rollers	2.8	10.7	n/a
Underlying EPS ⁽¹⁾	2.4p	4.3p	(44.2)%
Interim dividend	1.0p	4.3p	(76.7)%
Net debt	414.3	425.9	(2.7)%

- **Net revenue growth:**
+4.2% ex. World Cup 2014 and High Rollers
- **Operating profit:**
 - Broadly flat when adjusted for regulatory headwinds (MGD, POC, grey markets)
 - Significant margins/HVC impact in Digital
- **Tax:** 10% in line with guidance
- **2015 dividend:** 1p interim and 2p final
- **Net debt:** stable on 31 Dec 14 (£419.2m)

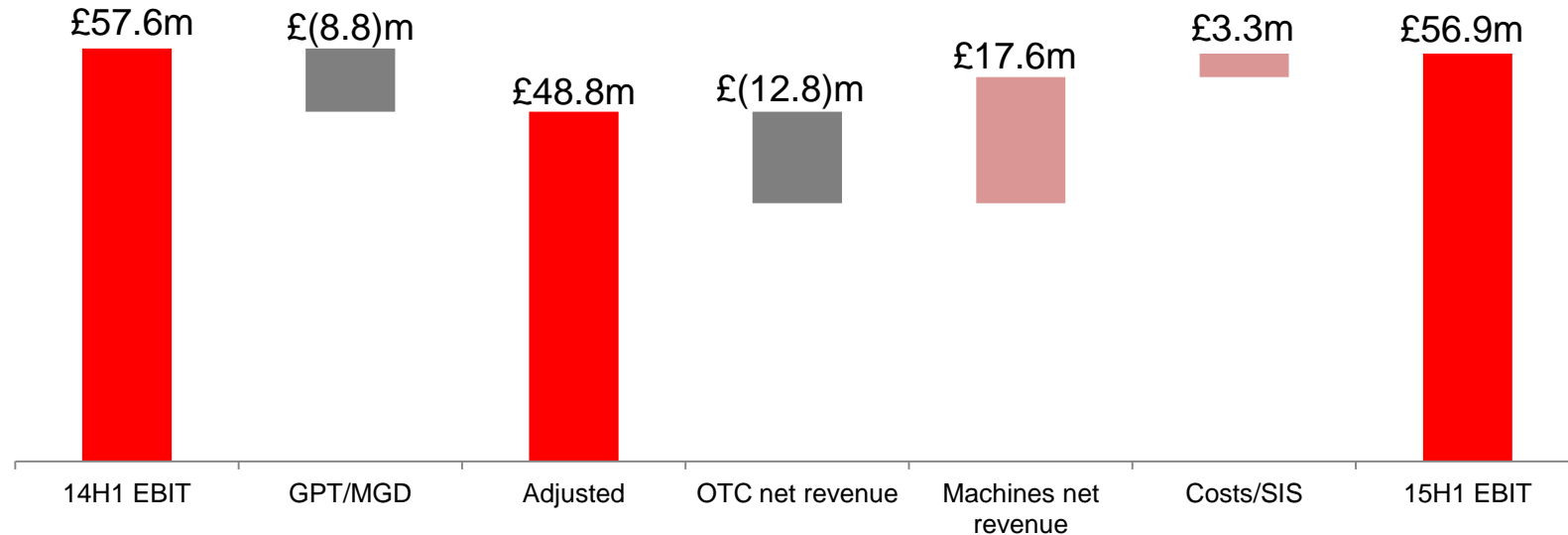
Before exceptional items

(1) Excluding High Rollers

(2) Includes amortisation of acquisition related intangible assets of £2.7m in 15H1 and £2.7m in 14H1

(3) Underlying decline of 0.5% reflects adjusting H1 2014 operating profit on a pro forma basis for POC, increase in MGD to 25% (for Mar-Jun) and grey market withdrawals.

UK Retail – Operating Profit



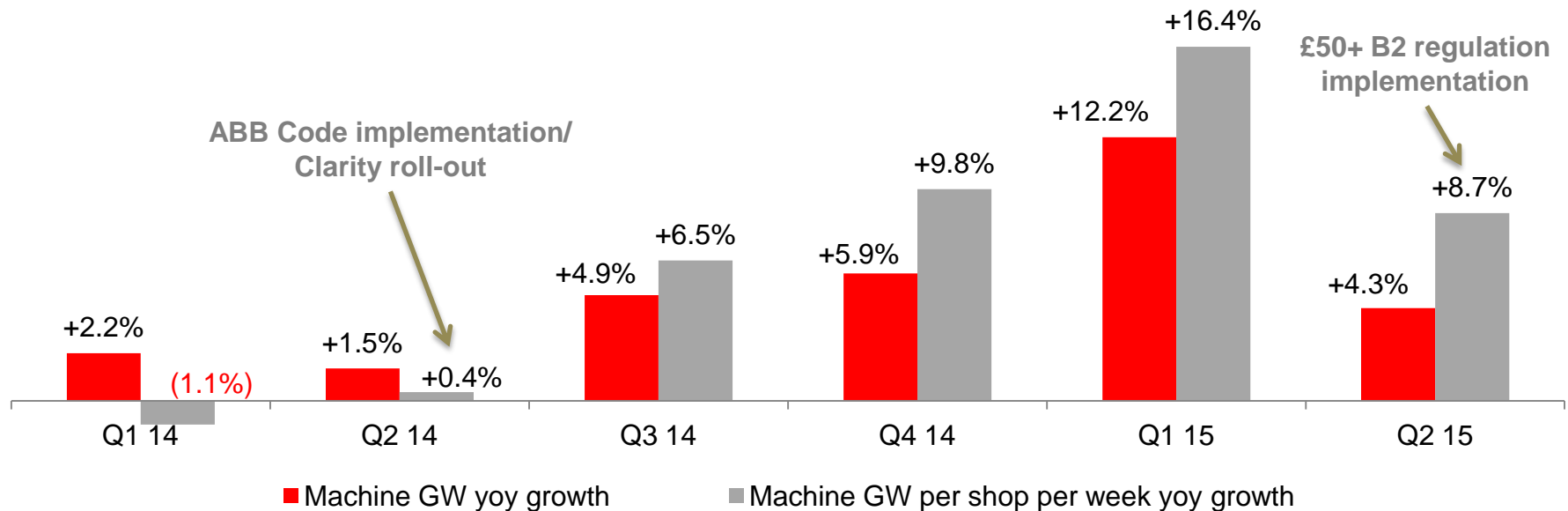
▪ OTC

- **Net revenue:** staking trends improve⁽²⁾ supported by SSBT (H1 net rev. +98%, staking per terminal per wk +71%) and better Royal Ascot; continued estate optimisation
- **Gross win margin 16.0% (-0.4ppts):** improved in 15Q2 but slightly below target
- **Machines:** 5th consecutive quarter of growth⁽¹⁾ driven by lower staking slots
- **Costs:** in line with guidance in February
- **Estate optimisation:** 40 closures in H1; c.20 scheduled for H2

(1) On per shop per week basis

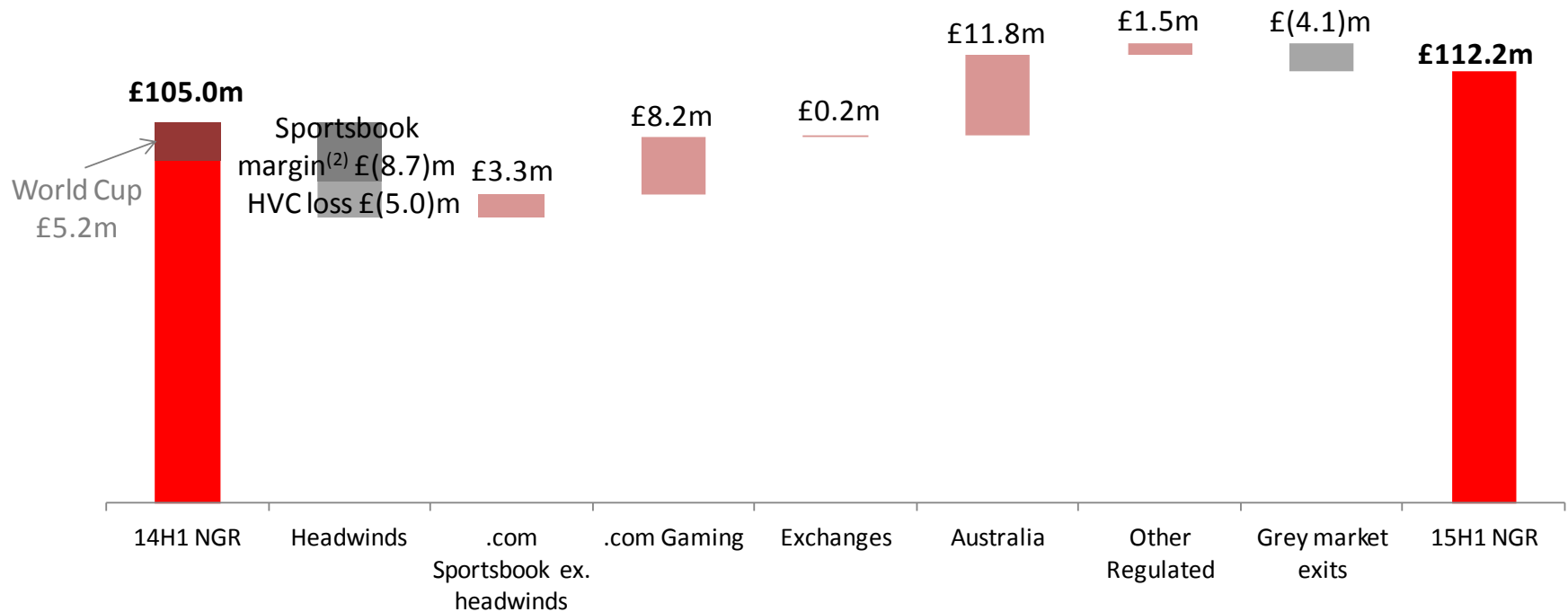
(2) Adjusted for World Cup

UK Retail – Machines growth driven by slots



- New machines plus regular new product launches continued to deliver growth
- Lower staking B3 slot products the key driver (15H1 38% of machine gross win vs. 14H1 30%)
- Q2 impacted by £50+ B2 gaming regulation from April 2015. GWPTPW Q2 £1,011 vs Q1 £1,033
- Higher MGD from 1 March 2015
- Now target net revenue growth of c.3-4% for FY15 including DCMS impact

Digital – Net Revenue +6.9% driven by Australia

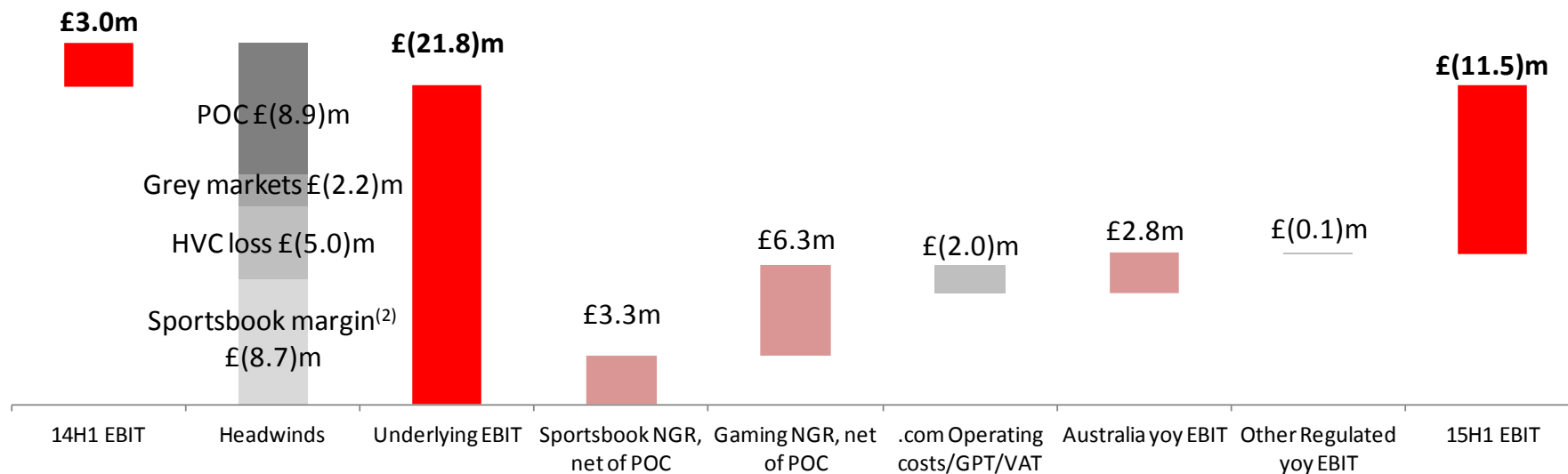


- **Sportsbook:** staking +20.1% (Mobile +65.0%); margins remained weak (Q1 HVC losses and H1 results)
- **Gaming:** 3rd consecutive quarter of growth for both NGR and actives
- **Australia:** another strong performance, staking +64%⁽¹⁾ compounded with GW margin +1.5ppts
- **Other Regulated markets:** ladbrokes.be the driver capitalising on long-standing retail presence

(1) Constant currency statutory data reflecting Betstar from April 2014

(2) Calculated by comparing 2015Q1/Q2 margin vs. normalised margin of 7.5%

Digital – Operating Profit impacted by POC, margin



- **Significant headwinds:** POC, grey market exits, 15Q1 HVC loss and weak Sportsbook margin
- **Underlying growth:** Sportsbook +7.1%; Gaming +16.9%
- **Costs:** Ladbrokes.com plus Exchanges in line with expectations
- **Australia:** revenue growth and full six month benefits from Betstar⁽¹⁾ converting to profit
- **Exchange/Other Regulated:** steady performance

(1) Acquired in April 2014

(2) Calculated by comparing 2015Q1/Q2 margin vs. normalised margin of 7.5%

Digital – Ladbrokes Australia strong momentum

	Actual			Pro forma ⁽²⁾	
	15H1 AUDm	14H1 AUDm ⁽¹⁾	Var.		Var.
Staking	652.0	398.4	+64%		+40%
Gross win	62.8	32.4	+94%		+67%
<i>Gross win margin</i>	9.6%	8.1%	+1.5ppts		+1.5ppts
Net revenue	49.4	25.0	+98%		+66%
Operating costs	(44.2)	(25.2)	(75)%		(55)%
Operating profit	5.2	(0.2)	n/a		+275%

- Challenger strategy enhanced by Betstar acquisition completed in April 2014
- Continued strong staking growth of 64% (+40% on pro forma basis)
- Actives 68k (+82%) targeting recreational customers
- Emphasis on retail customers delivered higher GW margin (+1.5ppts)
- H2 2015 increases marketing intensity to >30% of NGR to drive actives

(1) Statutory data reflecting Betstar from April 2014

(2) Pro forma data includes Betstar for six months

European Retail – progressing in line with plans

		15H1	14H1	Variance
Gross Win	Belgium (€m)	35.6	29.7	+20%
	Spain JV ⁽¹⁾ (€m)	13.9	10.3	+35%
	Ireland (£m)	34.1	37.5	(9)%
EBIT	Belgium (€m)	6.1	5.8	+5%
	Spain JV ⁽¹⁾ (€m)	(1.1)	(0.9)	(22)%
	Ireland (£m)	2.5	2.5	-
	European Retail (£m - reported)	6.2	6.6	(6)%

- **Belgium:** virtual and SSBT roll-out in FY14 delivered staking growth (+58%⁽²⁾) at expected lower margin; costs increase reflecting new product investment
- **Spain:** JV EBITDA positive in H1; gross win growth and higher operating costs reflect regional roll out in FY14
- **Ireland:** Northern Ireland showed similar trends to UK Retail. Republic of Ireland loss making in H1, Examinership process concluded and expected to be break-even/small loss in H2 at EBIT level

(1) Being 50% of Sportium JV gross win and EBIT

(2) Constant currency

Cashflow and Exceptional Items

£m	15H1
EBITDA ⁽¹⁾	80.8
Net finance expense	(13.5)
Tax	(7.8)
Capex	(27.4)
Other	20.2
Operating free cash flow	52.3
Dividend	(42.1)
Exceptional items	(5.3)
Net debt movement	4.9
Opening net debt	(419.2)
Closing net debt	(414.3)
Net debt / EBITDA ⁽³⁾	2.1x

- **Capex**
 - H1: UK Retail £8.6m; Digital £13.6m; Other £5.2m
 - FY15 guidance: c.£65-70m
- **Exceptionals – H1 £78.9m (80% non cash) includes:**
 - Retail: impairments £53.2m; UK shop closures £11.4m
 - Republic of Ireland: Examinership £7.8m
 - Software impairment £5.1m
 - Coral merger transaction costs £3.8m
- **Known H2 exceptionals c.£25-30m (substantially cash):**
 - UK shop closures: further 20 as planned
 - Final RoI Examinership costs
 - Coral merger transaction costs
- **H2 exceptional cash flows:** c.£30m, substantially offset by move to quarterly betting duty payment/POC recorded in H1
- **Placing**
 - Issued 92.4m shares (total shares now in issue 1,016m⁽²⁾)
 - Net proceeds £112.9m
 - Ranks for 1p interim dividend

(1) Excludes exceptional items, includes High Rollers

(2) Excludes treasury shares of 31.8m

(3) Based on EBITDA for 1 July 2014-30 June 2015

Updated guidance FY15

Group

- Our FY15 EBIT expectations c.£20m⁽¹⁾ lower reflecting impact of investment programme, predominantly in Digital
- Depreciation & amortisation c.£80-82m (UK Retail flat; Digital +£3-4m; Europe +£1m)
- Corporate costs c.£24-25m
- Capex – c.£65-70m increases by £5-10m
- Underlying tax rate c.10%
- 2015 dividend: 3.0p (1.0p interim, 2.0p final)
- **Q3/Q4 phasing 40/60**

UK Retail

- Estate optimisation: c.60 shops expected to close in 2015, 40 done
- OTC gross win margin target range 16.5-17.0% for H2
- Machines revenue DCMS impact better understood now expect c.3-4% net revenue growth for FY15
- Operating costs all on track. Higher marketing spend in H2 will result in increased operating costs

Digital

- Ladbrokes.com
 - Marketing intensity rises >30% for H2 FY15 (FY15 >25%)
 - Grey market impact – c.£6m on NGR and c.£3m on EBIT
- Australia – target strong double digit revenue growth; invest in market share; target profitability
- Belgium and Sportium online - lower start up losses
- Launch in LatAm with Sportium small impact

European Retail

- Spain continued small EBIT loss as we roll out into smaller regions

(1) Per the announcement on 24 July 2015



Concluding Remarks

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Q&A

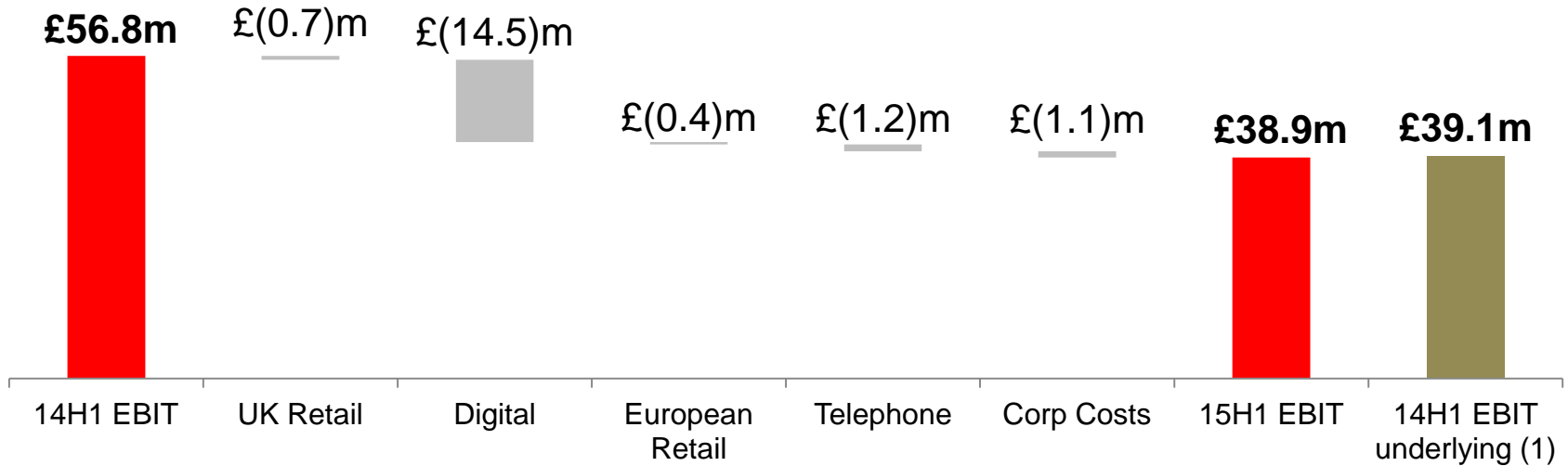
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Appendices

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Group Operating Profit



- **UK Retail:** OTC trends improved in Q2, margins slightly below target; machines trends continued to be better than our expectations driven by growth in slots and lower staking play
- **Digital:** Digital KPIs, Gaming and Australia good. Sportsbook significantly impacted by POC (£12.6m) and margins (c.£10-15m) predominantly in Q1
- **European Retail:** Belgium and Spain investment plans deliver NGR growth; RoI Examinership completed and returned to Ladbrokes management
- **Telephones:** staking declined significantly as we transition to digital HVC

(1) 14H1 operating profit has been adjusted to reflect POC, increase in MGD to 25% (for Mar-Jun) and grey market exits

Group

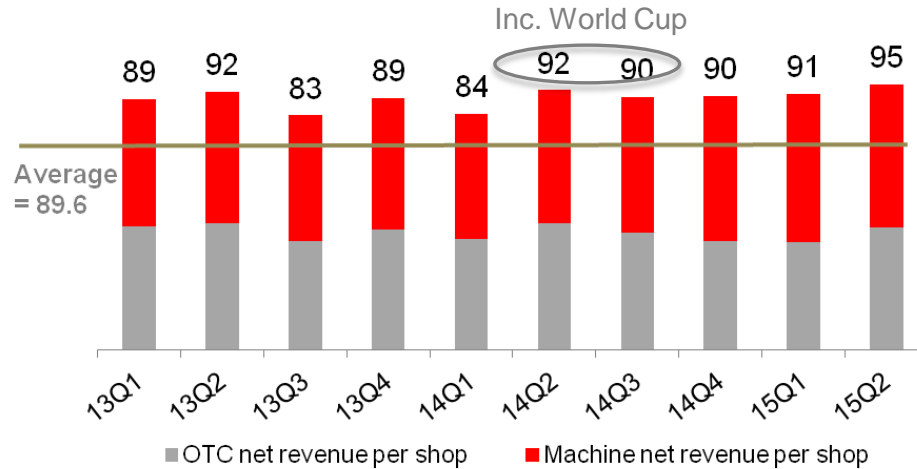
Net revenue and operating profit (ex. High Rollers)

Half year ended 30 June	Gross win			Net revenue			Operating profit ⁽¹⁾		
	2015 £m	2014 £m	Variance £m	2015 £m	2014 £m	Variance £m	2015 £m	2014 £m	Variance £m
UK Retail	416.1	413.8	+2.3	410.5	405.7	+4.8	56.9	57.6	(0.7)
Digital	145.1	141.0	+4.1	112.2	105.0	+7.2	(11.5)	3.0	(14.5)
European Retail	60.5	61.8	(1.3)	60.0	61.3	(1.3)	6.2	6.6	(0.4)
Telephone Betting	2.9	6.9	(4.0)	2.7	5.8	(3.1)	(0.5)	0.7	(1.2)
Corporate costs	-	-	-	-	-	-	(12.2)	(11.1)	(1.1)
Total	624.6	623.5	+1.1	585.4	577.8	+7.6	38.9	56.8	(17.9)

(1) Operating profit is before exceptional items

UK Retail – OTC trends improved in Q2

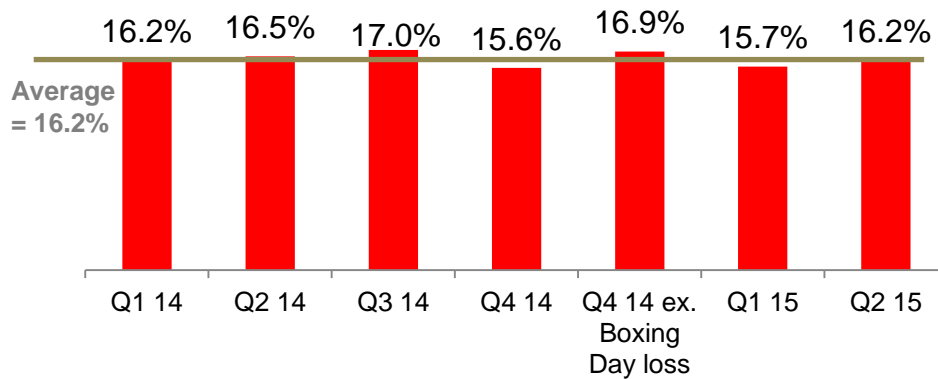
Total Net Revenue Per Shop Trends^{(1) (2)}



Total net revenue strong in 15H1

- Supported by
 - Gaming machines
 - SSBT net revenue +98%, staking per terminal per week +71%
 - Effective estate optimisation

OTC Gross Win Margin Trends



OTC gross win margin

- Improved in Q215 with better Royal Ascot
- 15H1 16.0%, -0.4 pts
- Target 16.5-17.0% for 15H2

(1) 2013 net revenue has been restated for the MGD/VAT impact to enable like for like comparison

(2) Excludes revenue from greyhounds tracks

UK Retail – Costs trends in line with guidance

£m	Total			Ifl ⁽¹⁾
	15H1	14H1	Variance	Variance
Staff	102.4	101.3	+1.1%	+3.9%
Property	56.8	56.5	+0.5%	+3.5%
Content	45.9	48.1	(4.6)%	(1.9)%
Depreciation	18.7	19.8	(5.6)%	(4.1)%
Other	51.2	51.0	+0.4%	+1.6%
Operating Costs	275.0	276.7	(0.6)%	+1.8%

- Overall costs declined 0.6%, benefiting from shop closure programme
- 15H1 Ifl increased in line with FY15 guidance of c.1-2%, Upper end of range due to higher revenue linked machines cost
- Staff costs Ifl +3.9%, provides some insulation against NLW increases in 2016

(1) Like for like takes into account shop openings and closures

UK Retail

KPIs

Half year ended 30 June	2015	2014	Variance
OTC Gross win margin	16.0%	16.4%	(0.4)pps
Like for like OTC amts staked increase/(decline)	(3.6)%	2.9%	(6.5)pps
Like for like OTC net revenue (decline)	(5.0)%	(4.8)%	(0.2)pps
Like for like total costs ⁽¹⁾ increase	1.8%	2.6%	(0.8)pps
Like for like staff costs increase/(decrease)	3.9%	(1.2)%	+5.1pps
Stake per slip ⁽²⁾	£8.43	£8.53	(1.2)%
Average number of machines	8,732	9,033	(3.3)%
Average weekly gross win per machine	£1,022	£913	+11.9%
Average weekly machine gross win per shop	£4,070	£3,618	+12.5%

Like for like takes into account shop openings and closures

(1) Excludes MGD, freebets and gross profits tax

(2) Slips exclude machines

UK Retail

P&L (ex. exceptional items)

Half year ended 30 June	2015 £m	2014 £m	Variance
OTC gross win	185.4	200.5	(7.5)%
Machines gross win	230.7	213.3	+8.2%
Total gross win	416.1	413.8	+0.6%
OTC net revenue	183.5	196.3	(6.5)%
Machines net revenue	227.0	209.4	+8.4%
Total net revenue	410.5	405.7	+1.2%
Associate income	1.6	-	-
Gross profits tax	(27.2)	(29.6)	+8.1%
Machine Games Duty	(53.0)	(41.8)	(26.8)%
Staff costs	(102.4)	(101.3)	(1.1)%
Property costs ⁽¹⁾	(56.8)	(56.5)	(0.5)%
Content costs ⁽²⁾	(45.9)	(48.1)	+4.6%
Other costs (inc. depn) ⁽³⁾	(69.9)	(70.8)	+1.3%
Operating costs	(275.0)	(276.7)	+0.6%
Operating profit	56.9	57.6	(1.2)%

(1) Rent, rates and utilities

(2) Pictures, data, levy, Sky TV

(3) Depreciation = £18.7m (2014: £19.8m)

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UK Retail

Gross win adjustments

Half year ended 30 June	2015			2014			Variance
	OTC £m	Machines £m	Total £m	OTC £m	Machines £m	Total £m	
Gross win	185.4	230.7	416.1	200.5	213.3	413.8	+0.6%
Freebets	(1.9)	(3.7)	(5.6)	(4.2)	(3.9)	(8.1)	+30.9%
Net revenue	183.5	227.0	410.5	196.3	209.4	405.7	+1.2%

Digital – Ladbrokes.com & Exchanges

P&L (ex. exceptional items)

Half year ended 30 June	2015 £m	% of net revenue	2014 £m	% of net revenue	Variance
Net revenue	84.6		90.7		(6.7)%
Betting tax	(0.4)	0.5	(0.2)	0.2	(100.0)%
POC tax	(12.6)	14.9	-	-	-
Levy and licenses	(0.4)	0.5	(0.5)	0.5	+20.0%
Staff costs	(15.6)	18.4	(14.4)	15.9	(8.3)%
Software and geographical partners ⁽¹⁾	(9.7)	11.5	(10.5)	11.6	+7.6%
Marketing (including affiliates)	(24.0)	28.4	(27.1)	29.9	+11.4%
Banking and chargebacks	(3.2)	3.8	(2.8)	3.1	(14.3)%
Other costs (including depreciation and amortn) ⁽²⁾	(29.7)	35.0	(29.0)	32.0	(2.4)%
Operating costs ⁽²⁾	(82.6)	97.6	(84.3)	92.9	+2.0%
Digital operating profit	(11.0)		6.2		(277.4)%
Digital EBITDA	3.4		18.9		(82.0)%

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

(2) Includes depreciation of £12.5m (£10.8m in 2014) and amortisation of acquired intangibles of £1.9m (2014:£1.9m)

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Digital - Australia

P&L (ex. exceptional items)

Half year ended 30 June	2015 £m	% of net revenue	2014 £m	% of net revenue
Gross win	32.4		17.6	
Freebets	(4.4)		(2.6)	
GST	(2.6)		(1.4)	
Net revenue	25.4		13.6	
Levy and licenses	(5.2)	20.5	(2.6)	19.1
Staff costs	(4.2)	16.5	(2.6)	19.1
Marketing (including affiliates)	(7.0)	27.6	(4.8)	35.3
Other costs (including depreciation) ⁽¹⁾	(6.3)	24.8	(3.7)	27.2
Operating costs⁽¹⁾	(22.7)	89.4	(13.7)	100.7
Australia operating profit	2.7		(0.1)	
Australia EBITDA	3.8		0.7	

(1) Includes depreciation and amortisation of £1.1m (£0.8m in 2014)

Digital

KPIs - Ladbrokes.com

Half year ended 30 June		2015	2014	Variance
Total Digital	Unique active players ⁽¹⁾ (000s)	739	702	+5.3%
	Real money sign-ups ⁽²⁾ (000s)	388	375	+3.5%
Sportsbook	Gross win margin	5.2%	7.9%	(2.7)pp
	Unique active players ⁽¹⁾ (000s)	610	596	+2.3%
	Average monthly active player days (000s)	1,205	1,085	+11.1%
	Yield per unique active player (£) ⁽³⁾	56	78	(28.2)%
Casino	Unique active players ⁽¹⁾ (000s)	166	125	+32.8%
	Average monthly active player days (000s)	157	152	+3.3%
	Yield per unique active player (£) ⁽³⁾	128	162	(21.0)%
Poker	Unique active players ⁽¹⁾ (000s)	16	20	(20.0)%
	Average monthly active player days (000s)	42	55	(23.6)%
	Yield per unique active player (£) ⁽³⁾	99	83	+19.3%
Games	Unique active players ⁽¹⁾ (000s)	151	112	+34.8%
	Average monthly active player days (000s)	197	141	+39.7%
	Yield per unique active player (£) ⁽³⁾	96	92	+4.3%
Bingo	Unique active players ⁽¹⁾ (000s)	44	43	+2.3%
	Average monthly active player days (000s)	95	93	+2.2%
	Yield per unique active player (£) ⁽³⁾	139	121	+14.9%

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

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

(3) Revenue per unique active player for the year

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UK Retail and Digital

Quarterly figures

	Q1 2014 vs. Q1 2013	Q2 2014 vs. Q2 2013	Q3 2014 vs. Q3 2013	Q4 2014 vs. Q4 2013	Q1 2015 vs. Q1 2014	Q2 2015 vs. Q2 2014	Q2 2015 vs. Q2 2014 ex. World Cup
UK Retail							
OTC Stakes	+8.5%	+1.8%	(7.9)%	(6.8)%	(4.8)%	(5.6)%	(0.3)%
OTC GW Margin	16.2% (2.7)pp	16.5% (0.4)pp	17.0% +2.1pp	15.6% (1.5)pp	15.7% (0.5)pp	16.2% (0.3)pp	16.2% 0.2pp
Machine Gross Win Growth	+2.2%	+1.5%	+4.9%	+5.9%	+12.2%	+4.3%	+4.3%
Machine Gross Win per shop per week	(1.1)%	+0.4%	+6.5%	+9.8%	+16.4%	+8.7%	+8.7%
Total Net Revenue YoY (Restated) ⁽¹⁾	(2.3)%	+1.5%	+6.0%	(2.4)%	+4.3%	(1.7)%	2.3%
Digital – Ladbrokes.com							
Sportsbook Net Revenue	(15.4)%	+63.1%	+58.3%	(7.0)%	(31.5)%	(23.0)%	(7.1)%
Gaming Net Revenue	(15.5)%	(18.6)%	-	+9.3%	+13.0%	+19.1%	+19.1%
Sportsbook Gross Win Margin	6.5% (3.5)pp	9.1% +1.4pp	8.9% +2.2pp	6.5% (1.7)pp	4.0% (2.5)pp	6.3% (2.8)pp	6.3% (1.9)pp

(1) Net revenue has been restated to allow for like for like comparison to 2013 UK Retail and European Retail net revenue where MGD replaced VAT for Machines from 1 February 2013. MGD is deducted from net revenue whereas VAT was deducted from gross win to arrive at net revenue

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Ireland

P&L (ex. exceptional items)

Half year ended 30 June	2015 £m	2014 £m	Variance
Gross win	34.1	37.5	(9.1)%
Net revenue	33.6	37.0	(9.2)%
Betting tax and Machine Gaming Duty	(3.8)	(4.0)	+5.0%
Operating costs	(27.3)	(30.5)	+10.5%
Operating profit	2.5	2.5	-
Constant currency amounts staked increase/(decrease)	+1.9%	(5.7)%	
Constant currency gross win decrease	(3.1)%	(10.0)%	
Shop numbers at the end of the period	271	292	(7.2)%