



Deutsche Bank Global
High Yield Conference

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Nasdaq: PENN

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This presentation includes “Non-GAAP financial measures” within the meaning of SEC Regulation G. A reconciliation of all Non-GAAP financial measures to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found at www.pngaming.com, in the Recent News section.

Penn National Gaming Company Highlights

- Rapidly growing multi-jurisdictional operator of regional gaming properties
- Niche “slot focused” operator in strong regional drive-to markets
- Growing and well-diversified cash flow
- Successful and disciplined acquisition strategy
- Well-positioned to exploit jurisdictional growth opportunities
- Experienced management team with proven track record of creating shareholder value
- Named to Fortune’s list of 100 Fastest-Growing Companies for three consecutive years

Operations Overview

Property	Type of Facility	Casino Footage	Gaming Machines	Table Games	Hotel Rooms	EBITDA (1)
Hollywood Aurora	Dockside gaming	53,000	1,132	32	—	\$72.3
Charles Town	Land-based gaming/ Racetrack	114,000	3,457	—	—	79.7
Casino Rouge	Dockside gaming	28,000	1,089	31	—	30.1
Hollywood Shreveport	Dockside gaming	59,000	1,423	64	403	16.5
Casino Magic	Dockside gaming	39,500	1,159	37	492	21.1
Hollywood Tunica	Dockside gaming	54,000	1,616	33	505	18.2
Boomtown	Dockside gaming	33,600	1,143	21	—	14.9
Pennsylvania Racing (2 sites)	Racetrack (2) OTW (11)	—	—	—	—	13.3
Casino Rama (mgmt. fee)	Land-based gaming	75,000	2,272	122	300	11.4
Bullwhackers	Land-based gaming	20,700	916	—	—	1.7
Pennwood JV/Freehold	Racetrack	—	—	—	—	1.9
TOTALS		476,800	14,207	340	1,700	\$281.0

(1) LTM 6/30/03 - HWD properties acquired 3-03 - pro forma
\$ in millions, excludes synergies and corporate overhead

Disciplined, Growth-Focused Acquisition Strategy



Date	Target	Purchase Price (1)	EBITDA at Acquisition (2)	EBITDA Multiple
8/00	Casino Magic and Boomtown	\$195.0	\$35.2	5.5x
4/01	Casino Rouge and Casino Rama	160.3	30.8	5.2x
4/02	Bullwhackers	6.5	4.9	1.3x
3/03	Hollywood Casino	774.3	102.2	7.6x
3/03	Hollywood Casino w/o Shreveport	585.7	83.0	7.1x

Industry Average 1995-2002(3) = 8.7x

(1) Excludes fees and expenses.

(2) Based on EBITDA in the fiscal year prior to the acquisition.

(3) Source: Bear Stearns North American Gaming Almanac, October 2002.

Operating Management Policies

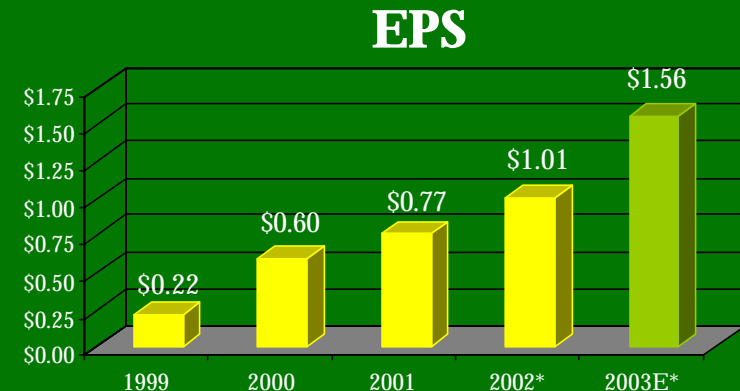
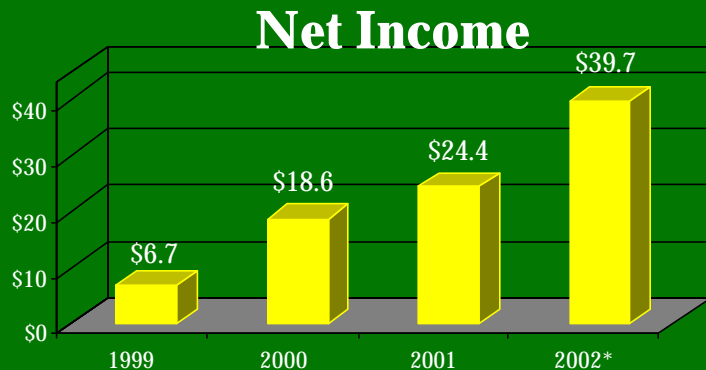
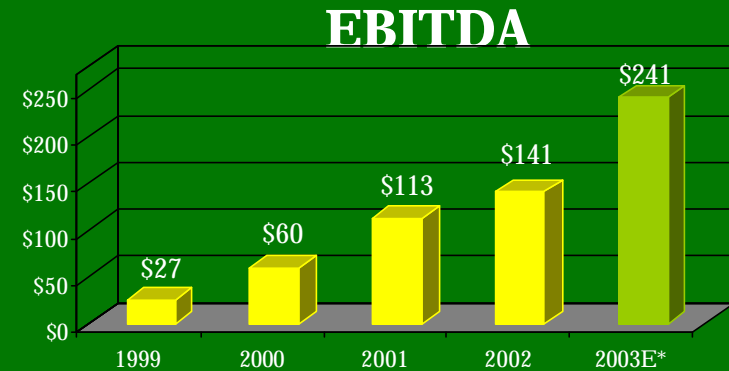
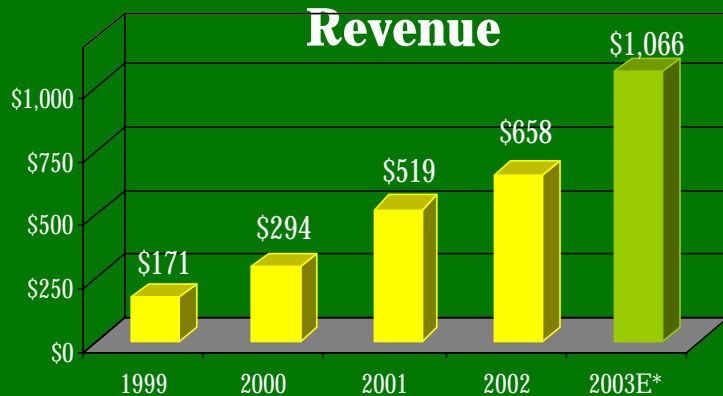
- Manage business by key metrics and strict return criteria
 - Market share
 - Operating margins
 - 20% ROI within 12 - 18 mos. on internal cap-ex projects

- Reward exceptional performance based on:
 - EBITDA contribution
 - Long-term customer satisfaction
 - Long-term employee satisfaction

Operating Policies and Initiatives

Deliver Strong, Stable Growth

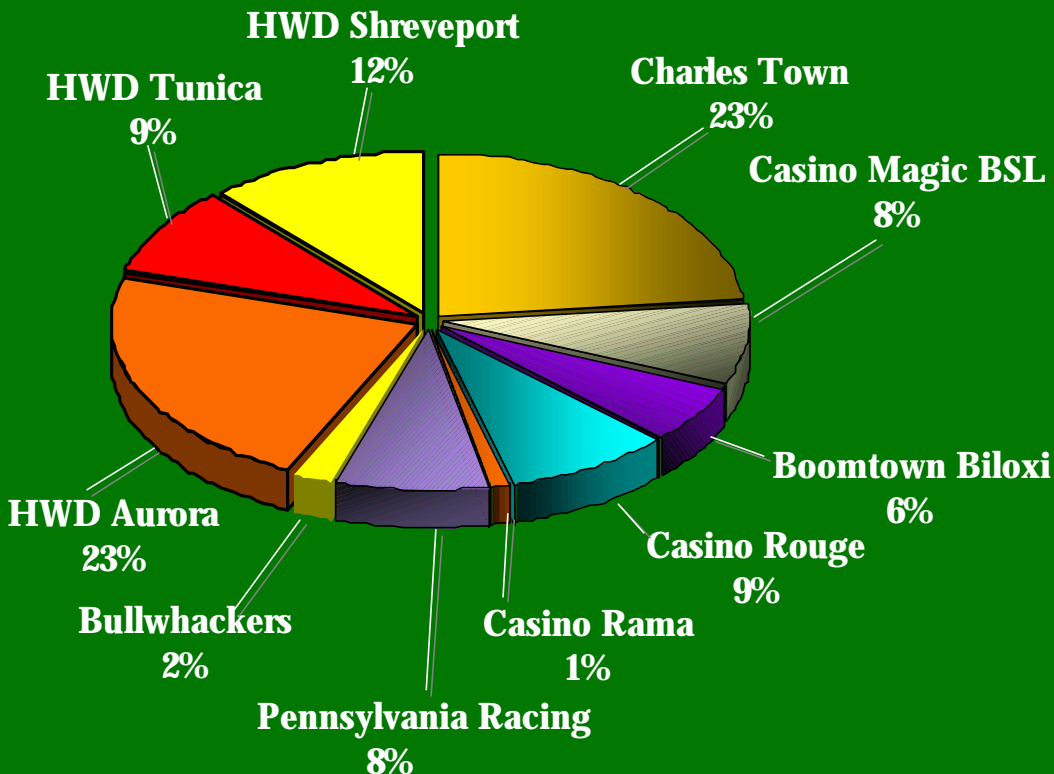
(\$ in millions, except per share amounts)



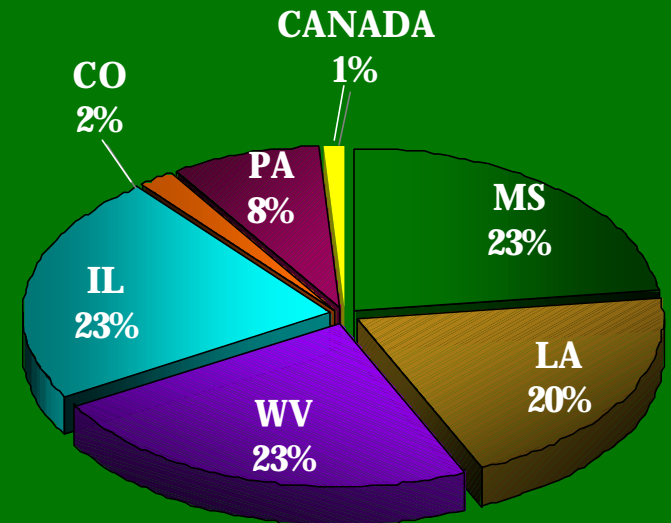
* Adjusted net income and diluted EPS exclude the change in fair value of interest rate swaps and the write-off of deferred finance fees and pre-payment fees associated with bank debt that was repaid. 2003E figures are as announced July 24, 2003 and exclude Shreveport.

Revenue Diversification

LTM \$1.2 BN⁽¹⁾



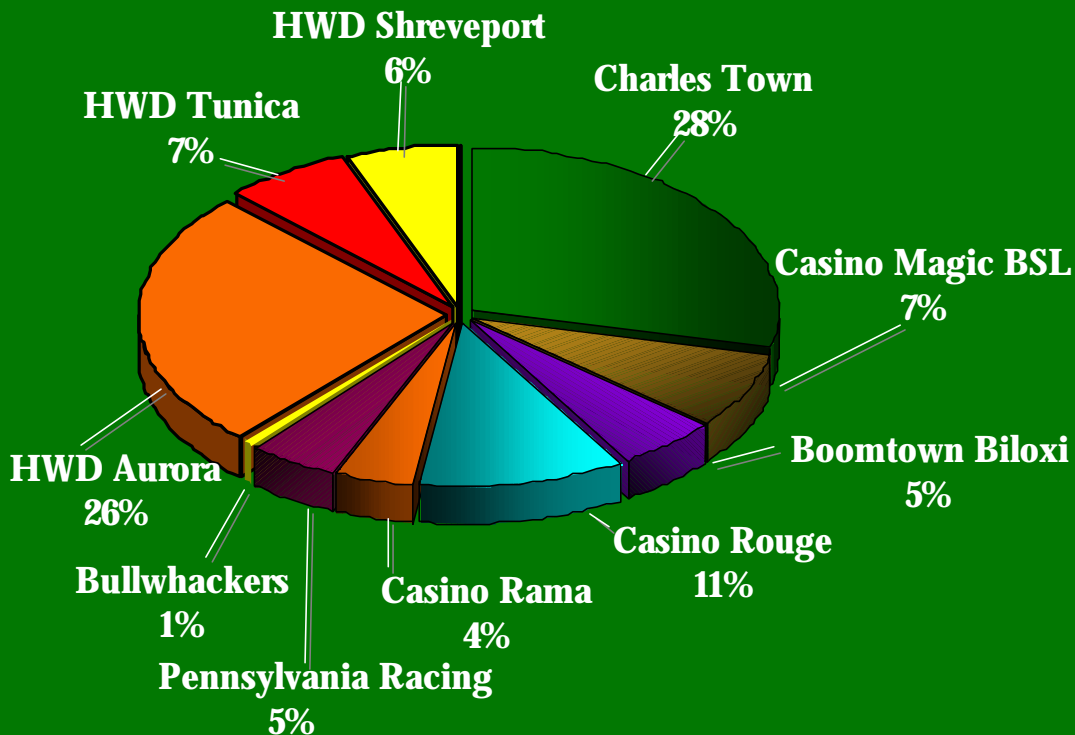
LTM by Region



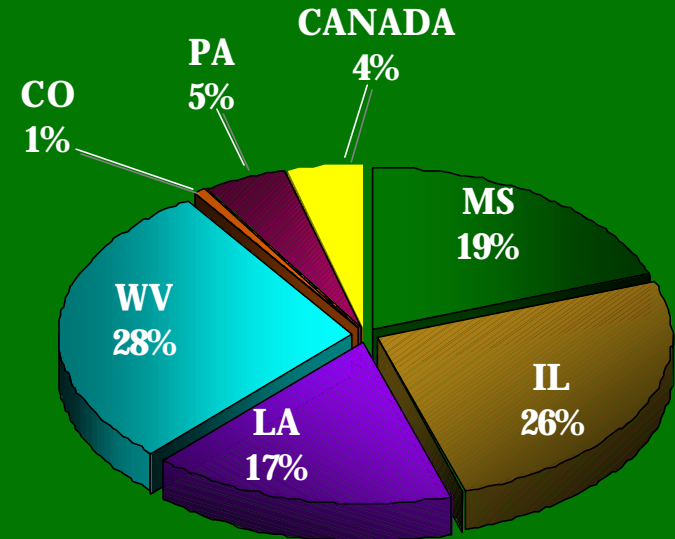
(1) Excludes corporate eliminations and overhead. LTM 6/30/03
HWD properties acquired 3-03 - pro forma

EBITDA Diversification

LTM \$281.0 M⁽¹⁾



LTM by Region



(1) Excludes corporate overhead. LTM 6/30/03
HWD properties acquired 3-03 - pro forma

Conservatively Managed Capital Structure Supports Growth Plans

- Conservative financing strategy has allowed Penn National to opportunistically raise capital
 - Raised \$800 million in senior secured credit facility to fund Hollywood Casino acquisition and working capital in March 2003
- Demonstrated experience operating with financial leverage
 - Rapid historical deleveraging after acquisitions using strong cash flow and equity issuance
 - 2Q '03 - pre-paid approximately \$55.5 million of principal on senior credit facility
 - 3Q '03 - pre-paid approximately \$27.0 million of principal on senior credit facility
- Make prudent use of cap-ex budgets for maintenance or modest budget project cap-ex
 - \$24 mm Charles Town = 31,000 sq. ft. of casino space + 1,000 new machines
 - \$38 mm Bay St. Louis = 300 rooms + convention facility + buffet + casino refurbishment
 - \$52 mm Charles Town = 1,500 space garage + capacity for 1,000 machines + food court + back of house support facilities

Capitalization

(\$ in millions)	12/31/02	6/30/03
	Pro Forma*	Actual
Cash	<u>\$ 68.1</u>	<u>\$ 74.3</u>
11 1/8% Sr. Sub Notes due '08 - callable 3/05	200.0	200.0
8 7/8% Sr. Sub Notes due '10 - callable 3/06	175.0	175.0
Revolving Credit Facility	0.0	0.0
Term Loan A	100.0	39.7
Term Loan B	600.0	598.3
Capital Leases	<u>16.5</u>	<u>16.3</u>
Recourse Debt (Penn National)	\$1,091.5	\$1,029.3
Shreveport Cash	<u>21.6</u>	<u>19.9</u>
Shreveport (non-recourse)	189.8	189.8
Bond Allowance	<u>0.0</u>	<u>(69.5)</u>
Total Debt	\$1,281.3	\$1,149.6

* Reflects the 3-03 acquisition of Hollywood Casino Corporation, \$800 million in senior secured credit, and \$189.8 of non-recourse Hollywood Casino Shreveport and Shreveport Capital Corporation notes

2003 Cap Ex

(\$ in millions)

	<u>w/o Shreveport</u>	<u>w/Shreveport</u>
Project Cap Ex		
Charles Town	\$24.0	\$24.0
Lease Purchases	30.0	30.0
Bullwhackers	4.0	4.0
Corporate	0.6	0.6
Total Project Cap Ex	\$58.6	\$58.6
Maintenance Cap Ex	<u>27.0</u>	<u>29.6</u>
TOTAL	\$85.6	\$88.2

Improving Interest Coverage

(\$ in millions)	<u>Balance/Annualized Expense</u>			
	<u>12/31/02</u>	<u>Pro Forma*</u>	<u>6/30/03</u>	<u>Actual</u>
Term (A-L+3.25%, B-L+4.0%)	\$ 700	\$ 26.6	\$ 638	\$ 25.5
LIBOR (\$375M @ 1.35%)		\$ 4.5		\$ 3.5
Swaps (\$200M @ 2.4%, \$175M @ 1.9%)		\$ 9.7		\$ 9.7
Revolver & LOC (\$93M @ 0.05%, \$7M @ 3.25%)		\$ 0.6		\$ 0.5
Sr. Sub Notes (\$200M-11-/18%, \$175M-7-7/8)	\$ 375	\$ 37.8	\$ 375	\$ 37.8
Deferred Financing Fees (Bank, Sub)		\$ 4.7		\$ 4.5
Capital Leases	<u>\$ 17</u>	<u>\$ 1.1</u>	<u>\$ 16</u>	<u>\$ 1.1</u>
Total Penn National	\$1,092	\$ 83.9	\$1,029	\$ 82.6
EBITDA: Interest#		2.7x		3.0x
Debt: EBITDA#		4.7x		4.1x
Sr. Debt: EBITDA#		3.0x		2.6x

* Reflects the 3-03 acquisition of HWCC, \$800 million in senior secured credit, and excludes \$189 of non-recourse Hollywood Casino Shreveport and Shreveport Capital Corporation notes

LTM pro forma EBITDA as if PENN acquired HWCC excluding Shreveport

Accruing Shreveport Interest

(\$ in millions)

	6/30/03	
	<u>Balance</u>	<u>Annualized Expense</u>
Shreveport (accruing)		
Mortgage Notes (@ 13%)	\$ 189.8	\$ 24.6
Contingent Interest		\$ 0.9
Deferred Financing Fees		<u>\$ 1.1</u>
Face Value - Shreveport	\$ 189.8	\$ 26.6
Bond Allowance	<u>\$ (69.5)</u>	
Net Shreveport	\$ 120.3	

Peer Credit Comparisons

	<u>Debt/ EBITDA</u>	<u>EBITDA/ Interest Expense</u>
Large Cap Universe Mean*	4.4x	3.4x
Mid- and Small-cap Universe Mean#	4.2x	3.2x
Penn National Gaming (LTM 6/30/03)	4.1x	3.0x

Source: Bear, Stearns & Co. Inc. estimates; company data

* comprised of MGG, HET, PPE, MBG (LTM Data)

comprised of KZL, PENN, STN, BYD, AGY, ASCA, AZR, ISLE, PNK (LTM Data)

Free Cash Flow Available for Project Cap-Ex and Principal Payments

(\$ in millions)	<u>2002</u>	<u>2003</u>
EBITDA	\$141.4	\$240.9
Less:		
Cash Interest	(39.9)	(78.9)
Cash Taxes	(12.8)	(2.2)
Maintenance Cap Ex	<u>(15.0)</u>	<u>(27.0)</u>
Free Cash Flow	<u>\$ 73.0</u>	<u>\$132.8</u>
Project Cap Ex	\$ 73.0	\$ 58.6

Recent Developments

- Expanded operating base and completed facilities upgrades/expansion
 - Charles Town (7-03)
 - Hollywood Casino acquisition (3-03)
- Implemented plan to mitigate impact of Illinois tax increases (7-03)
- Record 2Q '03 results - All PENN properties owned > 1 year post EBITDA gains
 - Revenues +98.0%
 - EBITDA +98.6%
 - Net income +39.1% (before swap charge and finance fee and pre-payment fee write-offs)
- Entered into negotiations with Shreveport note holders
- Pennsylvania slot bills passed by Senate and House
 - Support from Governor
 - Seeking final resolution/revised bill this Fall

Investment Considerations

- A leading gaming industry consolidator focused on slots-driven regional markets
 - Disciplined strategy
 - Successful record of integrating and standardizing acquisitions

- Record operating results
 - Growing and diversified revenue, cash flow and net income

- Management focused on de-leveraging
 - Strong free cash flow
 - 2Q '03 - pre-paid approximately \$55.5 million of principal on senior credit facility
 - 3Q '03 - pre-paid approximately \$27.0 million of principal on senior credit facility

- Improving coverage ratios

Investor Relations



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