4 March 2014

Paddy Power plc
Preliminary Results Announcement for the year to 31 December 2013

Group Highlights:

- Net revenue[1] of €745m, up 17%[2] with revenue growth in every division;
- Record profit before tax, up 5%[2] to €141m and diluted EPS up 2% to 252.0 cent, despite significantly adverse sports results in H2'13;
- Earnings growth also impacted by a €10m headwind from new product fees and taxes, currency depreciation and the first full year of investment in Italy;
- Dividend growth of 13% to 135 cent per share for the year proposed, with an 11% increase in the final dividend to 90 cent per share;
- Strong balance sheet with net cash of €172m, excluding customer balances of €57m, at end 2013.

Online Highlights:

- Scale continues to increase significantly with net revenue up 21%[2] to €473m and active customers up 19% to 1.9m. Operating profit up 10%[2] to €108.1m:
    - Online (ex Australia): active customers up 17% to 1.5 million and net revenue up 15%[2]. Operating profit up 1%[2] to €73.5m, including impact of first full year of Italian investment;
    - Online Australia: active customers up 29% to 0.4 million and net revenue up 28%[2]. Operating profit up 25%[2] to €33.5m;
- Mobile net revenue up 73%[2] to €212m and an industry leading 45% of online revenue, with 69% of active sportsbook customers and 42% of active eGaming customers transacting via mobile last month. Mobile eGaming net revenue up 143%[2] driving leading eGaming growth of 16%[2];
- Italian online business continuing to make strong progress with online sportsbook market share of 10% in the first two months of 2014, as compared to 5% at the start of 2013;
- Over 2.0 million combined Facebook Fans and Twitter Followers, more than double the level of our nearest industry competitor, contributing to industry leading marketing efficiency.

Retail Highlights:

- Increased market share in both Retail divisions with a record 67 shops opened in 2013 (57 UK, 10 Ireland);
- UK Retail like-for-like net revenue[1] up 2%[2] with machine gaming net revenue returning to growth in H2'13. Operating profit of €13.9m, down €0.9m[2] driven by €1.8m headwind from a new gaming machine tax regime;
- Irish Retail like-for-like stakes up 3% to a record €981m. Operating profit decreased by €0.4m to €14.0m, driven by unfavourable sports results, particularly at Cheltenham.

Patrick Kennedy, Chief Executive, Paddy Power plc said:

"*2013 was another good year for Paddy Power, with growth in every division and particularly strong growth in online which now delivers over three quarters of Group profits. We continue to build out our industry leading penetration in mobile sports betting and eGaming: mobile net revenue powered ahead by 73% in 2013 and now accounts for over half of total online revenue. Investment in mobile will continue to be significant in order to take advantage of our market leading position and avail of its exceptional growth potential.*"

"This year has started well from a turnover point of view with sportsbook stakes up 16%[2], although sports results have been mixed. We're strongly positioned to benefit from the growth "hot spots" in our markets and are investing accordingly. As a consequence, we look forward to 2014 and beyond with confidence."

[1] *With 2012 UK Retail machine net revenue expressed on a consistent basis of taxation with 2013*

[2] *In constant currency*

ENDS

4 March 2014

Issued on behalf of Paddy Power plc by RLM Finsbury

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Analyst Briefing:

The Company will host an analyst presentation at 9:00am this morning at Paddy Power plc, Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4. A conference call facility will also be available. To participate in the conference call please dial 01296 480 180 from the UK, (01) 242 1075 from Ireland and +44 1296 480 180 from elsewhere. The passcode is 859 552.

A presentation replay facility will be available for 30 days. To listen to the replay, callers from the UK should dial 0207 136 9233, and all other callers should dial +44 207 136 9233. The passcode is 989 98826.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report on another year of growth at your Company.

The Group achieved record turnover of €6.2 billion and operating profit of €137m. Net revenue of €745m was up 17% in constant currency, with growth in every division, and the Board's proposed final dividend makes for a total 2013 dividend of 135 cent per share, an increase of 13% versus 2012.

Profit growth in 2013 was achieved notwithstanding a €10m headwind from new product fees and taxes, currency depreciation and the first full year of investment in Italy. The second half of 2013 also saw an exceptional run of punter-friendly sports results. The impact of these results prevented us achieving double-digit earnings growth last year and resulted in a sportsbook gross win percentage of 9.7%. This compares to a rate of over 10% attained in the first half of 2013, and also anticipated in the second half, given the more attractive product and customer mix we have achieved since 2012.

€m	**2013**	**2012**	**% Change**	**% Change in Constant Currency ('CC')**
Amounts staked[1]	6,180	5,703	+8%	+14%
Sportsbook gross win %	*9.7%*	*9.4%*		
Net revenue[1]	**745.2**	**662.7**	**+12%**	**+17%**
Gross profit	617.0	553.6	+11%	+15%
Operating costs	(479.6)	(417.6)	+15%	+19%
Operating profit	**137.4**	**136.0**	**+1%**	**+4%**
Profit before tax	141.0	139.2	+1%	+5%
EBITDA	**176.9**	**168.2**	**+5%**	**+8%**
EPS, diluted	252.0 cent	248.1 cent	+2%	+5%
Dividends	135.0 cent	120.0 cent	+13%	
Net cash at year end	**€229m**	**€209m**		

[1] *2012 UK Retail machine net revenue expressed on a consistent basis of taxation with 2013*

Short term results, however, never deflect us from our long term strategy to develop a leadership position in the global betting market through considered and sustained investment in people, product, value and brand. In Online, 2013 saw the release of more new product than ever and reinforced our industry leading penetration in mobile betting, both for sports and eGaming. In Retail, we opened a record 67 new shops and now have over 500 units. In new geographies, we are steadily growing our revenues in Italy, and we signed a new B2B contract with Niké, the largest retail and online operator in Slovakia.

Betting Regulation & Taxation

Increased regulation, and taxation, of the global gambling industry presents both opportunities and challenges for the Group. Paddy Power is keen to play its part in such developments, by sharing its international experience, participating in research and supporting evidence-based debate to ensure we meet our responsibilities to customers and to the broader community.

Online

In Ireland and the UK, the new online licence and tax regimes on a 'point of consumption' basis have been well flagged and are expected to increase our costs from later this year. We continue to urge the authorities in both jurisdictions to implement as wide a range of enforcement mechanisms as possible, so that their player protection and tax collection objectives are not frustrated and jobs put at risk by the emergence of non-compliant competing operators.

Similarly, there is a strong case for certain governments to move from their prohibition of some or all types of online betting to responsible regulation and taxation, so as to eliminate illicit unregulated supply. Such developments would enable us to broaden our product offer in Australia, Italy and for B2B in Canada, and possibly enter new geographies.

Retail

The regulations governing gaming machines in UK betting shops continue to be the subject of political and media debate. Together with other leading industry operators, we have met with the Minister for Sport, Tourism & Equalities and are in dialogue with the Department for Culture, Media and Sport and the Gambling Commission. We have pushed for faster and deeper research to ensure policy is based on evidence. The Responsible Gambling Trust (RGT) have now extended and brought forward some of their related research and we are cooperating fully, including supplying loyalty programme data. We have also rolled out all the measures in the new Association of British Bookmakers' (ABB) Code for Responsible Gambling and Player Protection launched on 1 March.

There has also been debate in the UK regarding the 'clustering' of betting shops. We believe related proposals to change planning or licensing legislation to be anti-competitive and could be subject to legal challenge.

Employment & Tax

Paddy Power has a strong track record of providing high quality jobs and making a significant tax contribution in the countries in which we operate. We employed 4,422 people at the end of 2013 and paid total taxes and duties of €183m during the year.

	Employment 31 Dec 2013	% Change in 2013	Tax/Duty Paid 2013	% Change in 2013
Ireland	2,328	+7%	€72m	+2%
UK	1,487	+32%	€58m	+11%
Australia	461	+25%	€45m	+28%
Italy and Rest of World	146	+43%	€8m	+300%
Group	**4,422**	**+17%**	**€183m**	**+15%**

Financial Position and Dividends

Net cash at the end of 2013 was €229m (including customer balances of €57m), an increase of €20m compared to a year earlier, notwithstanding a 16% increase to €62m in dividends paid in 2013 to shareholders, and substantial investment in our online businesses and retail estate.

The Board regularly reviews the Group's capital structure and is committed to capital discipline. Notwithstanding the strength of the Group's balance sheet and ongoing cash generation, we believe that the Group should maintain the flexibility that its current capital structure provides, given the opportunities that may arise during this period of industry change. The Board will continue to keep the position under review.

The Board is proposing an increase in the final dividend of 11% to 90.0 cent per share. This would bring the total dividend in respect of 2013 to €66.4m or 135.0 cent per share, an increase of 13% on 2012.

Outlook

In January to February, sportsbook stakes in constant currency grew by 6% like-for-like in retail and 19% in online. Football results were poor for bookmakers in January, the impact of which has partially reversed in the subsequent weeks.

The Board remains confident of the Group's prospects for 2014 and I look forward to updating you on progress at our AGM in May.

Nigel Northridge
Chairman

3 March 2014

CHIEF EXECUTIVE'S REVIEW

Clear, Consistent & Effective Strategy

Paddy Power was 25 years old in 2013. From an Irish retail bookmaking business with 42 shops in 1988, we have grown to be one of the world's leading online betting and gaming groups, with B2C and B2B customers around the globe and an estate of over 500 shops across the UK and Ireland. The strategy that has driven this outcome has been consistent:

- identify large, attractive, regulated markets;
- aspire to be the fastest growing and biggest operator;
- invest – for the long term – in product, marketing, technology and people;
- generate strong payback in these markets, creating scale and optionality for new markets.

The details are regularly refined but the endurance of the overall strategy provides clarity to the Group's direction, particularly during periods of industry transition. Our sector is experiencing such a period now with new regulations, taxes, technologies and consumer behaviours emerging. Paddy Power is well positioned for these changes and through this period we are continuing to invest substantially and smartly – in our product, in marketing and in sustainable industry leading operating capabilities. We believe such investment has been the basis of our success, and will continue to deliver long term growth and value for our shareholders.

Strong Positions in Attractive Markets

Industry Growth 'Hot Spots' – Online, Mobile and Multi-Channel

While the overall gambling market (retail and online) grows as consumer spending increases, online growth is accelerated by new bettors engaging disproportionately online, more retail bettors becoming multi-channel consumers and increasing tablet/smartphone penetration. Over the next five years, we expect online betting markets to typically achieve double-digit percentage annual growth and for mobile betting to account for some 90% of total industry growth. Meanwhile, multi-channel customers will continue to grow in importance, having already reached 42% of total UK online sportsbook spending in 2012, as compared to 20% in 2008.

Paddy Power Over-Indexes on Key Growth 'Hot Spots'

Paddy Power is distinctively well positioned for these opportunities. Over three quarters of the Group's profits are generated from the high growth online markets. Within online, we have the highest exposure to increased tablet/smartphone usage, with 45% of our online revenues coming from mobile in 2013, compared to a quoted UK competitor average of some 25%. In addition, we have strong multi-channel potential given we have both a leading retail and online proposition, and already generate a disproportionately large online 'halo' in the areas surrounding our shops.

Geographically, we are positioned strongly. We have made substantial B2C investments in the largest regulated betting markets in the world: in Italy, in the UK and in Australia, with B2B businesses in other large markets. We also have a very attractive exposure to economic recovery in our Irish home market.

Market Share Consolidating

Our markets are becoming less fragmented as the investment, capabilities and scale required to succeed continues to increase. For example, mobile has driven an increase in the IT platforms that Paddy Power supports from 15 in 2011 to 51 in 2013, with over 70 expected by the end of this year, as we provide an optimised user experience for multiple products, across multiple devices and operating systems. In Australia, such complexity, combined with higher product fees payable to racing and sporting bodies, has seen the acquisition and consolidation by larger operators of six of the eight online corporate bookmakers that existed five years ago. In the UK, market share has also consolidated amongst larger operators and we expect that trend will continue with the introduction, later this year, of the new 15% tax on online revenues. We estimate that some 20% of the UK online market was held by operators with less than a 15% online operating profit margin in 2013.

Effective Long Term Investment in Product, Marketing, Technology and People

Rigorous, Analytical and Long Term

A rigorous, analytical and long term perspective is applied to every investment decision we make at Paddy Power. For example, our brand advertising is entertainment led, but it is fully informed by painstaking marketing analytics and testing to ensure its returns are maximised. Our third generation football pricing model will incorporate accumulated data on over 100,000 matches and build on the initial investment we made ten years ago. To gather consumer insights, last year we interviewed 16,000 retail, online and multichannel Paddy Power and competitors' customers, in the UK, Ireland, Italy and Australia. Such research informs targeted investment in product, in marketing and in our capabilities.

Product

Product innovation has always been at the heart of what we do. Market research consistently confirms that the top considerations for online bettors when choosing an operator are product, not price, related. Over the past two years we have more than quadrupled our annual investment in product development days to over 30,000 in 2013 from both internal and external sources for online (excluding Australia). We have at the same time improved efficiency by halving the ratio of test days to development days over the past two years. This year we expect to have over 230 new product releases, compared with 131 in 2013 and 73 in 2012.

Key recent product releases include a series of in-house developed mobile products, including new Sports, Games and Casino tablet apps. Tablet devices will be central to future growth in mobile with their penetration amongst consumers having more than doubled in the UK last year. We also added a record 200 new games last year, of which over 60% are mobile games and 35% are exclusive Paddy Power proprietary games. This mobile leadership is enabling Paddy Power to effectively serve valuable multi-product mobile customers, who enjoy both sports and gaming. Last year, our eGaming net revenue grew by 16% in constant currency, as compared to an average of 2% amongst quoted UK peers. Further product initiatives this year will present a more 'joined up' experience across retail and online channels to serve multi-channel consumers. We will also put additional investment into over 160 new or existing shops this year, versus 82 last year.

Marketing

Marketing has become a key battle ground for competition in our industry. This applies in Italy, in Ireland, in Australia and in the UK, where the industry's TV spend has more than doubled in the last two years. This is a battle ground where we have distinctive strengths and are recognised leaders. Ours is the only brand in the sector which customers say has a real personality which, together with our industry leading online marketing capabilities, delivers new customers to Paddy Power at a lower cost relative to the competition. These distinctive capabilities are hard to replicate, and contribute more than the sum of their individual parts. They span a huge range of acquisition, retention and reactivation activities, across multiple products, platforms and customer segments and use many new tools, technologies and techniques. And we will put more money behind our capabilities when conditions require it, such as in the UK market where, within existing operating cost guidance, our 2014 TV advertising expenditure is currently running at more than double 2013 levels.

Technology

Technology is a key enabler to ensure we seize the significant growth opportunities available to us. Much of the infrastructure groundwork has been completed with past investment in 'active/active' data centres, diverse network routing and the ability to dynamically load balance to address incident management, maintenance windows or high transaction volumes. As a result, we are now seeing higher platform availability and scaling benefits in our core technology infrastructure.

We continue to invest substantially in our internal development capabilities, in particular for mobile and tablet product and 'front-end' customer interfaces. This ensures our products are differentiated, increases development efficiency and accelerates the pace at which we release product to our customers. The acquisition of a development base in Bulgaria in late 2011 was an important evolution of our capabilities, enabling us to create proprietary product in targeted areas like mobile gaming, as well as providing a cost efficient base for some of our additional technology requirements.

People

The last – but most important – category of investment is people. Our people are the best in the sector – smarter, hungrier and more creative than the competition. We now have substantial and deep expertise with over 1,400 people in the Group across Online, IT and Risk, compared to some 600 three years ago, and we plan to add a further 250 this year. At a country level, we now have over 450 people in Australia and over 60 based in Italy, providing local insight and specialisation, which when combined with central expertise, gives us a capability that many competitors do not match. In addition, we have never invested more in developing our people and setting a unified direction, at a Group, team and individual level.

Conclusion

Paddy Power is strongly positioned to benefit from the growth 'hot-spots' in our markets: in online, in mobile and in multi-channel. We continue to make substantial, well-targeted and long term investment in our product, marketing, technology and people, with a significant programme in train for 2014. We have a strong track record of payback on such investment. Our strong balance sheet provides further opportunities to create value for shareholders. As a result, we look forward to 2014 and beyond with confidence.

Patrick Kennedy
Chief Executive

3 March 2014

OPERATING & FINANCIAL REVIEW

Introduction

Paddy Power is an international betting and gaming group. Last year, 79% of Group profits came from the high growth online channel. The Group also benefits from being a multi-channel operator in the UK and Ireland. Shops boost brand recognition, trust and scale, as well as directly contributing 20% of operating profit last year.

Operating Profit by Division	**2013**		**2012**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
Online (ex Australia)	73.5	54%	72.7	53%	+1%
Online Australia	33.5	24%	30.8	23%	+9%
UK Retail	13.9	10%	15.3	11%	(9%)
Irish Retail	14.0	10%	14.4	11%	(2%)
Telephone	2.5	2%	2.7	2%	(8%)
Group Operating Profit	**137.4**	**100%**	**136.0**	**100%**	**+1%**

(Online Australia also includes telephone operations accounting for less than 10% of its gross and operating profit)

Paddy Power has become increasingly diversified geographically in recent years with online customers now in Ireland, the UK, Australia and Italy, in addition to business-to-business clients in France and Canada, and more recently in Slovakia.

Operating Profit by Geography	**2013**		**2012**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
UK	83.3	61%	81.7	60%	+2%
Australia	33.5	24%	30.8	23%	+9%
Ireland, Italy and Rest of World	20.6	15%	23.5	17%	(12%)
Group Operating Profit	**137.4**	**100%**	**136.0**	**100%**	**+1%**

(Online and Telephone operating profit allocated by geography based on average divisional profit margins applied to net revenue)

Sports Results & Trading

As we reported during 2013, the random walk of sports results had an adverse impact on profits in the second half of last year driven by the drubbing we took in November (on the Australian Spring Racing Carnival) and in July (on pretty much everything).

In the first half of the year sports results went backwards and forwards like a naked Miley Cyrus riding a wrecking ball but overall showed their tendency to normalise with time (we hope the same is true for Miley!). After a strong start to the year, then a Cheltenham to forget (let's just say that record for Irish-trained winners better *never* be broken), we got a dream Grand National result when Auroras Encore romped home at 66/1.

As ever, our distinctive value proposition for punters kicked in boosting customer satisfaction and retention. We refunded €2.5m of losing bets when Hurricane Fly reclaimed the Champion Hurdle. We paid an unrivalled extra 5th place on the National in both retail and online, and we righted wrongs with Justice Payouts, like when well backed favourite, Ektihaam, slipped at Ascot. Our customers don't even have to wait until the fat lady sings, with bets on Man U winning the 2013 Premier League paid out in February with a third of the season still to go (…funny how things change…as we were about to find out ourselves).

Beware the British Open! We've had bad results here before (Harrington x2) but Mickelson winning, with other favourites featuring throughout our generous seven place each-way pay-out, was the worst single event result we've ever had (even more painful than the Yanks shouting 'get in the hole' after every shot!). And there was more to come. Not since finding a fluffy tuppence down the back of the sofa were the Scots as happy – Andy Murray wins Wimbledon – triggering a massive Money-Back Special for losing Paddy Power punters into the bargain (if you thought Andy's tears were excessive, you should have seen our tennis traders). Racing results were little better with, for example, 46% of favourites obliging punters over the Galway festival.

The geographic risk diversification we get from Australia worked well in September, with some nasty UK football results offset by upsets in the AFL and NRL final series. However inter-office relations took a nose-dive when five of the eight Group One races at the Australia Spring Racing Carnival were won by the favourite, including Fiorente, the first favourite to win the Melbourne Cup since 2005.

When there's an unusually positive or negative run of results it can be helpful to pick out the specific random outturns that impacted us. Less entertaining, but much more important, is the rigorous analysis of bets by our Risk team, to review, calculate and optimise our underlying structural gross win percentages. The strength of this core capability is borne out by higher gross win percentages for *paddypower.com* than for our quoted UK competitors in each of the last ten years, notwithstanding the extra value we offer.

ONLINE

€m	2013	2012	% Change	% Change in CC
Sportsbook net revenue	347.6	300.5	+16%	+22%
Gaming & other net revenue	125.3	109.1	+15%	+17%
Total net revenue	**472.9**	**409.6**	**+15%**	**+21%**
Gross profit	389.4	338.2	+15%	+20%
Operating costs	(281.3)	(236.1)	+19%	+24%
Operating profit	**108.1**	**102.1**	**+6%**	**+10%**
% of Group operating profit	79%	75%		
Active customers	**1,940,559**	**1,628,198**	**+19%**	

(Active customers defined as those who have deposited real money and have bet in the year, excluding indirect B2B customers)

We grew online profits by 10%, in constant currency, to €108m last year, despite the impact of adverse sports results and the first full year of investment in our Italian business.

The scale of our online operation continues to increase significantly, all via organic growth and driven from legal, regulated markets. Last year, net revenue grew by 21% in constant currency to €473m and active customers increased by 19% to 1.9 million, all off a much increased base. Over the last three years, annual growth has averaged 25% for net revenue in constant currency and 33% for active customers.

Net revenue from mobile was an industry-leading 45% of total revenue, or €212m, an increase of 73% in constant currency versus 2012. We continue to invest heavily in mobile to enhance our leadership position and exploit its exceptional growth potential. Last year, we released new mobile content and product enhancements across all our online businesses, as well as introducing our first in-house developed tablet apps for Sportsbook, Games and Casino.

Excluding Italy, online operating costs increased by 22% in constant currency, a considerable moderation on the equivalent growth of 41% in 2012, as we are now benefiting from investments in our infrastructure made in previous years.

ONLINE (Excluding Australia)

€m	2013	2012	% Change	% Change in CC
Amounts staked	2,317	2,112	+10%	+13%
Sportsbook net revenue	174.4	154.0	+13%	+15%
Sportsbook gross win %	*8.6%*	*8.4%*		
Gaming & other net revenue	125.3	109.1	+15%	+17%
Total net revenue	**299.7**	**263.1**	**+14%**	**+15%**
Gross profit	258.6	226.1	+14%	+15%
Operating costs	(185.1)	(153.4)	+21%	+23%
Operating profit – total	**73.5**	**72.7**	**+1%**	**+1%**
Operating loss - paddypower.it	*(16.8)*	*(14.7)*		

The Online Division (ex Australia) comprises the B2C businesses, *paddypower.com* and *paddypower.it,* and smaller B2B activities. Divisional operating profit increased by €0.8m to €73.5m. Net revenue grew 15% in constant currency to €300m and active customers were up 17% to 1.5m.

Last year saw a more intensive competitive environment in the UK, with a drive for increased market share by many operators in advance of the new 'point of consumption' tax regime, expected from December 2014. As a leading scale player, *paddypower.com* performed well in this tougher environment achieving double digit growth, in both sportsbook and eGaming net revenue, and a 13% increase in active customers. This performance was driven by our strong market positions, marketing execution, product investment and operating capabilities, with, for example, free bet and marketing costs unchanged as a percentage of net revenue (notwithstanding significant media inflation). As a result, our operating profit as a percentage of net revenue remained amongst the highest in the sector at 31%, leaving us very well positioned. During this period of industry change, we will continue to invest in order to enhance our competitive position for the long term.

In the very large and attractive Italian betting market, our online business continues to progress well, as we roll-out products, establish our brand and build a critical mass of customers to reach profitability. Market research shows spontaneous brand awareness of Paddy Power has increased to 30%, as compared to 20% a year ago. On product roll-out, we were the first operator to offer the additional betting product allowed under the new Palinsesto Supplementare regulations in October and we lead the market in events offered with over 550 per week in January versus 400 by our nearest competitor. This has helped drive our share of the online sports betting market to 10% in the first two months of 2014, versus 5% at the start of 2013. In addition, we over-index in the fastest growing part of the market, with mobile accounting for almost half of our amounts staked last month, versus an estimated industry average in Italy of 30%. We also introduced a significant amount of product for the large eGaming market, including Games on desktop and mobile, a Casino mobile app and 'Live' Casino on desktop. This year we will roll out more mobile casino product, 'virtual' betting product, Bingo and Poker, and are also looking forward to the full implementation of the Palinsesto Supplementare regulations.

Online (Ex Aus) Active Customers	2013	2012	% Change
UK	1,157,694	1,021,517	+13%
Ireland and Rest of World	366,295	285,181	+28%
Total	**1,523,989**	**1,306,698**	**+17%**

(Active customers defined as those who have deposited real money and bet in the year, excluding indirect B2B customers)

Online (Ex Aus) Customers Product Usage	2013	2012	% Change
Sportsbook only	920,685	767,566	+20%
Gaming only	173,325	146,752	+18%
Multi product customers	429,979	392,380	+10%
Total	**1,523,989**	**1,306,698**	**+17%**

(Active customers defined as those who have deposited real money and bet in the year, excluding indirect B2B customers)

(A) Online Sportsbook

The amounts staked on the online sportsbook increased by 13% in constant currency to €2.2 billion. Within this, bet volumes grew by 14% to 154.0m, while the average stake per bet decreased by 1% in constant currency to €14.14. Net revenue increased by 15% in constant currency.

We continue to use our scale and expertise to innovate and develop our products. First to market betting enhancements last year included: ‘partial settlement’ of multiples, as soon as each leg of the bet is resulted, to get winnings to customers faster; retail style ‘football coupons’ to grow multiples betting; ‘combined horses’ odds for when customers fancy more than one runner in a race; and ‘powercasts’ giving fixed odds returns on forecast and tricast bets. We also added ‘cash out’ allowing customers to sell their bet before it settles, and new content to our site including the ‘Paddy Power inFormer’ guide to racing form with *Racing Post* statistics.

We also significantly enriched our mobile product, adding new features including ‘two-tap’ betting, extra streamed international racing, targeted push notifications, coupon enhancements and ‘my-team’ pages. In December we launched our all-new sports betting iPad app which was researched, designed, developed and tested entirely in-house. This ensures the app is fully customisable to reflect our brand, product and offers and delivers stronger differentiation and protection of our IP (we’re talking the best performance from a tablet since Lance Armstrong!). This investment helped grow our mobile turnover by 42% in constant currency to €1.1 billion, representing over half of our sportsbook turnover last year, with 69% of sportsbook customers transacting with us via mobile last month, generating 56% of sportsbook stakes.

In August, we ‘beta’ launched *Paddy Power In-Play!*, the first real money sports betting product on Facebook. We continue to refine the product and test its potential.

Novelty betting proved as popular as ever. Paddy Power was first to market on papal betting with our Obama-esque campaign (‘Yes we VATI-CAN’ and ‘Money Back if he’s black!’), and our Royal baby betting generated media coverage by the pram load.

(B) Online Gaming & B2B

Paddy Power continues to take significant share in the eGaming market. Gaming and other revenue increased by 17% in constant currency to €125m with growth in Casino, Games, Bingo and B2B, offsetting a reduction in Poker driven by a declining market.

Pivotal to this strong performance has again been our early and on-going investment in mobile. Mobile net revenue increased by 143% in constant currency last year, with 42% of eGaming customers transacting with us via mobile last month, generating an industry-leading 35% of total online gaming revenue. Mobile product releases last year included our in-house developed native tablet apps for Games and Casino, the *PP Vegas* tablet app, a ‘Live’ Casino app, a revamped Games app and 40 exclusive proprietary mobile games developed by our games development subsidiary in Bulgaria. This in-house team was our largest supplier of new game content last year, providing 70 of the 200 games released across desktop, mobile and tablet – and it’s quality, as well as quantity – with revenue per new game higher than third party suppliers, driving their contribution to 20% of total Games revenue by December.

Our B2B relationships with PMU in France and BCLC in Canada continue to perform strongly, highlighting our betting risk management, operations and partnership capabilities. PMU achieved further market share gains last year with 22% growth in its online sports turnover. In November, we concluded a new B2B agreement to supply Niké, the largest retail and online operator in Slovakia, with sports betting product for both its channels. A six month trial of the planned three year deal went live in December.

ONLINE AUSTRALIA - *sportsbet.com.au*

€m	2013	2012	% Change	% Change in CC
Amounts staked	1,914	1,710	+12%	+24%
Net revenue	**179.6**	**156.4**	**+15%**	**+28%**
Sportsbook gross win %	*9.8%*	*9.4%*		
Gross profit	135.1	119.4	+13%	+26%
Operating costs	(101.6)	(88.6)	+15%	+26%
Operating profit	**33.5**	**30.8**	**+9%**	**+25%**
Active customers	419,388	324,341	+29%	

(Active customers defined as customers who have deposited real money and have bet in the year)
(The division also includes telephone operations accounting for less than 10% of its gross and operating profit)

Our Australian business is hotter than centre court at an Aussie Open, growing its net revenue by 28% and its operating profit by 25% last year in constant currency, despite a €2m headwind from higher product fees payable to racing and sports bodies. In online, we continue to take market share, with stakes up by 25%, net revenue up by 31% (both in constant currency) and active customers up by 30%. Mobile turnover almost doubled in constant currency to €632m, with 69% of our online customers transacting with us via mobile last month, generating 45% of sportsbook turnover.

The approach driving this outperformance in *sportsbet.com.au* is the same one we apply in *paddypower.com* and *paddypower.it* – considered and substantial investment in people, product, value and brand. We have a team of over 450 people in Australia now, having doubled the online and technology staff over the last three years. This creates a level of capacity and specialist skills significantly ahead of our competitors, which is difficult and time consuming to replicate. Our Australian product benefits from the combination of this local expertise with our central resources, enabling us for example to offer 80% more sports betting opportunities online than our nearest competitor. Later this month we will enhance our position in the crucial mobile market with the release of in-house developed tablet apps.

Australian online bettors rank Sportsbet as the brand that offers the best value for money, by a distance – not surprising given that over 130,000 of our Australian customers benefitted from our Money-Back Specials last year. Independent market research shows our spontaneous brand awareness at 49% last year, markedly ahead of our corporate bookmaker competitors, and a lead we should extend this year with the addition of Channel 9 NRL coverage to our media assets. Social media is of course an intrinsic part of our distinctive marketing and *sportsbet.com.au* leads the industry on Facebook Fans and Twitter Followers.

RETAIL

Our retail businesses in Ireland and the UK are giving us very attractive direct returns on capital, as well as the important benefits of a multi-channel offer and increased scale.

Last year, the average EBITDA per shop for the 139 mature units we opened between 2008 and 2011 was €175,000 as compared to a cost per unit of €324,000 (capex plus any acquisition costs). We also successfully accelerated our rate of investment last year with a record 67 new shops opened (and a further 15 new units already trading this year). With just a 3% share of the shops in the UK market, we expect to open at least 40 shops annually in the UK, in the current environment.

Multi-channel consumers are one of the fastest growing and most valuable betting customers segments, as shown by the popularity of our Cash-Card, which allows customers to deposit or withdraw cash from their online account at any of our 500 plus shops. Last year, we launched promotions cross-selling retail betting to online customers, and vice-versa. Further initiatives are planned this year to take advantage of our multi-channel position, including enabling customers use their Cash-Card in our Self Service Betting Terminals ('SSBTs') from next month.

Notwithstanding migration of betting activity from retail to online, there are core retail users who place greater value on the attractions of retail betting such as the social experience, immersion in the action and physical cash transactions. Such bettors see little value in migrating online, despite having the option. Paddy Power's retail position is further protected by our turnover per shop which is double that of competitors' units, and which also feeds into higher profitability per unit. This allows us to continuously enhance an already leading proposition, in a way others simply cannot.

In terms of value for customers, we offer the most generous machine gaming loyalty programme, and are the only major bookmaker to offer the same odds, and block-buster Money Back-Specials, over-the-counter as we do online.

We have also enhanced our product offering. We were the first operator to complete the roll-out of the new Inspired 'Eclipse' gaming cabinets last December. We also lead the market for SSBTs, with at least one terminal per shop in the UK since July 2011. Following successful product development and return on investment trials last year, we'll put new screen, shop format or new opening investment into over 160 units this year, versus 82 last year.

This unstinting focus on having the best product, value and service is well-evidenced in consumer market research: in both Ireland and the UK, Paddy Power was rated number one last year versus all the major competing chains on its cumulative score across a full range of shop attributes.

UK RETAIL

€m	2013	2012	% Change	% Change in CC
Amounts staked	619	540	+15%	+20%
Sportsbook net revenue	64.0	53.9	+19%	+24%
Sportsbook gross win %	*11.7%*	*11.3%*		
Machine gaming net revenue	63.5	56.4	+12%	+17%
Total net revenue	**127.5**	**110.3**	**+16%**	**+20%**
Gross profit	96.1	85.3	+13%	+17%
Operating costs	(82.2)	(70.0)	+17%	+22%
Operating profit	**13.9**	**15.3**	**(9%)**	**(6%)**
Shops at year end	266	209	+27%	

(UK Retail machine net revenue is expressed on a consistent basis of taxation above and throughout this statement. 'Sportsbook' includes over-the-counter and SSBTs)

UK Retail profits decreased by €1.4m due to headwinds of €1.8m from a new gaming machine tax regime and €0.6m from unfavourable exchange rate movements.

In constant currency, turnover grew 20% to €619m, while net revenue also increased by 20% to €128m. Like-for-like net revenue grew by 2% in constant currency. This growth comprised a decline in machine gaming net revenue of 3% offset by sportsbook net revenue growth of 8%. Like-for-like sportsbook turnover was up by 4%, comprised of bet volumes up by 6% and an average sportsbook stake per bet down by 2% in constant currency to €15.33.

Machine gaming performance reflected the impact of new terminal trials and the launch costs of our loyalty programme earlier in 2013, as well as weaker consumer demand. While the market remains competitive, the latter part of 2013 benefitted from the roll-out of new terminals and the maturing of our loyalty programme. In the last five months of the year, like-for-like machine gaming net revenue was up by 4% versus the prior year in constant currency. Like-for-like average gross win per machine per week was in line with 2012 at £1,229. We had 1,059 gaming machines installed at the end of 2013, an increase of 228 compared to the previous year, entirely as a result of new shops.

Operating costs grew 22% in constant currency driven by a 25% increase in average shop numbers. Like-for-like shop operating costs were up just 2% in constant currency, reflecting our rigorous attention to cost management.

We opened 57 new shops last year, including 15 which we acquired, at an average capital cost per unit of €335,000 (£283,000) including lease premia and the costs of acquisition and refit for acquired units. The average cost per unit for organic openings was €305,000 (£259,000). EBITDA per shop pre central costs for mature shops opened pre 2012 averaged €179,000 (£151,000), in line with the prior year, despite increased gaming machine tax. EBITDA per shop, pre central costs, for later shops open between one and 24 months by the end of 2013, averaged €69,000 (£58,000), a return of some 20% on the capital cost, with further maturity to come.

IRISH RETAIL

€m	2013	2012	% Change
Amounts staked	981	927	+6%
Net revenue	**115.6**	**110.4**	**+5%**
Gross win %	*11.8%*	*12.0%*	
Gross profit	104.7	100.5	+4%
Operating costs	(90.7)	(86.1)	+5%
Operating profit	**14.0**	**14.4**	**(2%)**
Shops at year end	223	213	+5%

Irish Retail operating profit decreased marginally last year to €14.0m, impacted by unfavourable sports results, particularly at Cheltenham. We opened ten new shops in 2013, including seven acquired. Excluding the impact of new units, like-for-like amounts staked were up by 3% and net revenue was up by 2%. The second half of 2013 was the first period with both like-for-like stakes and revenue growth since 2007, contributing to our best ever year for amounts staked at €981m.

Like-for-like operating costs increased by 3% reflecting the impact of content cost inflation, investment in product and increased bet volume per shop.

Our estimated market share in Irish retail was over 38% in 2013, up from 35% in 2012.

TELEPHONE

€m	2013	2012	% Change	% Change in CC
Amounts staked	348	415	(16%)	(13%)
Net revenue	**22.6**	**22.5**	**+1%**	**+3%**
Gross win %	*7.0%*	*5.8%*		
Gross profit	22.4	22.2	+1%	+3%
Operating costs	(19.9)	(19.5)	+2%	+4%
Operating profit	**2.5**	**2.7**	**(8%)**	**(3%)**

Our telephone channel continues to perform strongly relative to its competitors, consolidating its leading position in the combined UK and Irish markets. In constant currency, operating profit was down just 3%, notwithstanding the structural challenge of migration online.

In constant currency, net revenue was up by 3%, while amounts staked were down by 13%, in part due to the higher gross win percentage relative to 2012, and the absence of a major international football championship in 2013.

Operating costs increased by 4% in constant currency, reflecting 10% growth in bet volumes and selected investment in our product and infrastructure. In particular, we built on the popularity of text betting, by launching the unique Paddy Power Messenger app last December. This app allows punters to follow their favourite teams, jockeys or trainers, to receive news updates and live text commentary, and of course to place a bet, in just a few seconds.

Telephone Channel Active Customers	2013	2012	% Change
UK	47,461	58,916	(19%)
Ireland and Rest Of World	23,579	24,119	(2%)
Total	**71,040**	**83,035**	**(14%)**

(Active customers defined as those who have deposited real money and have bet in the year)

Brand & Marketing

Paddy Power's marketing epitomises our approach to building sustainable industry leading capabilities through smarter, more innovative and more distinctive execution. These capabilities give us consistent industry leading marketing efficiency and significant capacity to invest, with marketing costs for our online businesses representing 20% of online revenues last year, as compared to an average of 27% for our major quoted UK competitors. The approach also allows us indulge our passion for a bit of mischief making.

For starters, we like thinking big – be it flying a 63 foot tall Paddy Power Lucky Pants hot-air balloon at Cheltenham, or lighting up the front of the Milan Stock Exchange with slot reels to promote our Italian online casino, or 'rooting for the Wallabies' by creating the world's largest painted sign to welcome the British & Irish Lions to Melbourne.

We also like to talk and to get people talking – and when they're talking to us, we listen. Our 'Ball of Shame' campaign engaged with fans on the mad and bad behaviour of top flight football, and amplified the conversation with a smart combination of social media, TV, billboards and editorial coverage. A provocative way to react to real time events, we sympathised with fans on lazy over-weight players, 'tight Arsè-ne' Wenger's initial refusal to spend during the transfer window and Alex Ferguson's retirement (a story Paddy Power broke as money ploughed onto David Moyes as Sir Alex's replacement).

We also teamed up with Stonewall, the lesbian, gay and bisexual charity, to tackle homophobia in football with our 'Rainbow Laces' campaign. We got the campaign noticed and trending globally on Twitter with messages like 'We don't care what team you play for' and Paddy Power 'Right behind gay footballers' (#RBGF). Yes, the puns were a bit 'Carry on Matron', but it did the trick and players from 54 professional British clubs wore the rainbow laces. Social media and over 400 pieces of media coverage generated over half a billion impressions, and over a quarter of the UK adult population heard about the campaign. The campaign, like many of our initiatives, can be re-used in other geographies and we launched 'Rainbow Laces' in Italy last month.

The experts seem to like our work too. For the third consecutive year, we were voted Britain's 'Most Admired Company' for our marketing in a Management Today/ BSI poll. Twitter have praised our handy work in their Twitter Success Story Case Studies and we won multiple gongs at the Social Buzz Awards.

The only opinions that matter are of course the customers'. Our combined Facebook Fans and Twitter Followers increased by 55% in the last year to over 2.0m today, more than double the level of our nearest industry competitor. This helped our spontaneous brand awareness in the UK reach an all-time high of 56%. In market research in the UK and Australia, consumers rated us number one for being 'fun', 'mischievous' and 'sharp witted' (and the same positioning is being achieved in Italy, where we are rated number one for being 'fun', 'bold' and 'distinctive').

Taxation

The effective corporation tax rate was 12.7%, as compared to a rate of 13.0% in 2012.

In the Queen's Speech in May 2013, the UK Government once again confirmed its intention to change the licensing regime on remote gambling to a 'point of consumption' basis on all remote gambling operators supplying UK customers. The related regulatory and tax legislation has been proceeding through various drafting, consultation and parliamentary approval phases and is expected to receive Royal Assent in the coming months, with the new tax effective from December. If the tax was in place at a rate of 15% of eGaming net revenue and 15% of sportsbook gross win, it would have increased our tax payable by €37m in 2013. Opportunities exist to mitigate this gross impact through lower revenue share and marketing costs, and through potential market share gains from weaker operators being forced to exit the market or compromise their offer, net of any reduction in market share as a result of activity moving to illegal operators.

In July, the Irish Government published an updated Betting (Amendment) Bill which is expected to facilitate the extension of the 1% tax on Irish retail stakes to online and telephone sportsbooks in respect of bets taken from customers in Ireland. Such a tax would have cost the Group €7m in 2013.

Cashflows & Financial Position

Profit growth at Paddy Power converts strongly into increased cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capital expenditure of €18m) was €141m or 114% of profit after tax in 2013. Estimated enhancement capital expenditure of €40m mainly related to new shop openings and technology spending for product enhancement and expansion. As at 31 December 2013, the Group had net cash of €229m or €172m excluding customer balances (2012: €209m and €153m respectively).

Foreign Exchange Risk

Sterling and Australian Dollar denominated operating profits were approximately £144m and AUD64m respectively last year. Accordingly, Group operating profit can be positively impacted by a weaker Euro versus these currencies and adversely impacted by a stronger Euro versus these currencies.

In order to reduce this volatility, the Group periodically sells Sterling forward for Euro and has sold approximately half of its expected 2014 sterling denominated operating profit for settlement in 2014 at an average rate of 0.844.

Patrick Kennedy
Chief Executive

Cormac McCarthy
Chief Financial Officer

3 March 2014

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2013

	Note	**2013 €'000**	2012 €'000
Amounts staked by customers		**6,179,971**	5,694,496
Continuing operations			
Income	3	**745,195**	653,750
Direct betting costs	4	**(128,243)**	(100,197)
Gross profit		**616,952**	553,553
Employee expenses		**(228,721)**	(202,184)
Property expenses		**(48,362)**	(44,288)
Marketing expenses		**(76,145)**	(67,878)
Technology and communications expenses		**(42,534)**	(35,033)
Depreciation and amortisation		**(39,468)**	(32,159)
Other expenses, net		**(44,336)**	(36,011)
Total operating expenses		**(479,566)**	(417,553)
Operating profit		**137,386**	136,000
Financial income	5	**3,825**	3,440
Financial expense	5	**(181)**	(285)
Profit before tax		**141,030**	139,155
Income tax expense	6	**(17,846)**	(18,156)
Profit for the year – all attributable to equity holders of the Company		**123,184**	120,999
Earnings per share			
Basic	7	**€2.567**	€2.511
Diluted	7	**€2.520**	€2.481

Notes 1 to 19 on pages 20 to 32 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

3 March 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	**2013 €'000**	2012 €'000
Profit for the year – all attributable to equity holders of the Company		**123,184**	120,999
Other comprehensive (expense) / income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash follow hedges	5	**2,706**	(1,324)
Fair value of foreign exchange cash flow hedges transferred to income statement	5	**(4,688)**	1,839
Foreign exchange (loss) / gain on translation of the net assets of foreign currency denominated subsidiaries	5	**(21,774)**	237
Deferred tax on fair value of cash flow hedges		**248**	(64)
Other comprehensive (expense) / income		**(23,508)**	688
Total comprehensive income for the year – all attributable to equity holders of the Company		**99,676**	121,687

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On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

3 March 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	**31 December 2013 €'000**	31 December 2012 €'000
Assets			
Property, plant and equipment		**116,216**	105,536
Intangible assets		**69,185**	62,482
Goodwill	8	**92,554**	96,582
Financial assets – restricted cash	12	**993**	5,359
Deferred tax assets		**8,002**	6,561
Trade and other receivables	10	**2,903**	4,837
Total non-current assets		**289,853**	281,357
Trade and other receivables	10	**29,262**	26,063
Derivative financial assets	11	**-**	375
Financial assets – restricted cash	12	**52,806**	32,961
Financial assets – deposits	12	**13,686**	42,014
Cash and cash equivalents	12	**161,359**	129,004
Total current assets		**257,113**	230,417
Total assets		**546,966**	511,774
Equity			
Issued share capital	13	**5,098**	5,085
Share premium		**41,646**	40,038
Treasury shares		**(34,177)**	(34,177)
Shares held by long term incentive plan trust		**(71,736)**	(56,191)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**23,406**	38,593
Retained earnings		**346,765**	284,308
Total equity attributable to equity holders of the Company		**311,002**	277,656
Liabilities			
Trade and other payables	15	**180,973**	173,467
Derivative financial liabilities	15	**17,048**	11,767
Provisions		**515**	460
Current tax payable		**20,462**	18,287
Total current liabilities		**218,998**	203,981
Trade and other payables	15	**12,289**	23,663
Derivative financial liabilities	15	**270**	228
Provisions		**1,115**	1,419
Deferred tax liabilities		**3,292**	4,827
Total non-current liabilities		**16,966**	30,137
Total liabilities		**235,964**	234,118
Total equity and liabilities		**546,966**	511,774

Notes 1 to 19 on pages 20 to 32 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

3 March 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Note	**2013 €'000**	2012 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**123,184**	120,999
Income tax expense		**17,846**	18,156
Financial income		**(3,825)**	(3,440)
Financial expense		**181**	285
Depreciation and amortisation		**39,468**	32,159
Employee equity-settled share-based payments expense		**17,671**	12,462
Foreign currency exchange loss / (gain)		**529**	(472)
Loss on disposal of property, plant and equipment and intangible assets		**68**	123
Cash from operations before changes in working capital		**195,122**	180,272
(Increase) / decrease in trade and other receivables		**(3,317)**	7,359
Increase in trade and other payables and provisions		**8,096**	40,632
Cash generated from operations		**199,901**	228,263
Income taxes paid		**(17,015)**	(15,361)
Net cash from operating activities		**182,886**	212,902
Purchase of property, plant and equipment		**(34,821)**	(32,743)
Purchase of intangible assets		**(22,625)**	(18,702)
Purchase of businesses, net of cash acquired	9	**(6,594)**	(3,705)
Payment of contingent deferred consideration	9	**(3,072)**	(857)
Proceeds from disposal of property, plant and equipment and intangible assets		**74**	80
Transfers from / (to) financial assets – deposits		**27,985**	(42,639)
Interest received		**3,173**	3,410
Net cash used in investing activities		**(35,880)**	(95,156)
Proceeds from the issue of new shares under option arrangements		**1,621**	2,237
Purchase of shares by long term incentive plan trust		**(24,220)**	(36,281)
Dividends paid	14	**(61,907)**	(53,477)
Movements in current and non-current restricted cash balances		**(15,452)**	(12,738)
Interest paid		**(286)**	(128)
Net cash used in financing activities		**(100,244)**	(100,387)
Net increase in cash and cash equivalents		**46,762**	17,359
Cash and cash equivalents at start of year		**129,004**	111,139
Foreign currency exchange (loss) / gain on cash and cash equivalents		**(14,407)**	506
Cash and cash equivalents at end of year	12	**161,359**	129,004

Notes 1 to 19 on pages 20 to 32 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

3 March 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Attributable to equity holders of the Company (see Note 13)										
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2013	*50,850,848*	5,085	40,038	14,110	451	1,240	(34,177)	(56,191)	22,792	284,308	277,656
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	123,184	123,184
Foreign exchange translation	-	-	-	(21,774)	-	-	-	-	-	-	(21,774)
Net change in fair value of cash flow hedge reserve (Note 5)	-	-	-	-	(1,982)	-	-	-	-	-	(1,982)
Deferred tax on cash flow hedges	-	-	-	-	248	-	-	-	-	-	248
Total comprehensive income / (expense) for the year	-	-	-	(21,774)	(1,734)	-	-	-	-	123,184	99,676
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 13)	*126,237*	13	1,608	-	-	-	-	-	-	-	1,621
Own shares acquired by the long term incentive plan trust – 380,000 ordinary shares (Note 13)	-	-	-	-	-	-	-	(24,220)	-	-	(24,220)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	17,671	-	17,671
Equity-settled transactions – vestings (Note 13)	-	-	-	-	-	-	-	8,675	(8,651)	246	270
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	235	235
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	-	(699)	699	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	-	(61,907)	(61,907)
Total contributions by and distributions to owners of the Company	*126,237*	13	1,608	-	-	-	-	(15,545)	8,321	(60,727)	(66,330)
Balance at 31 December 2013	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2013

	Attributable to equity holders of the Company (see Note 13)										
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2012	*50,725,021*	5,072	37,826	13,873	-	1,185	(34,177)	(33,397)	21,918	218,086	230,386
Total comprehensive income for the year											
Profit	-	-	-	-	-	-	-	-	-	120,999	120,999
Foreign exchange translation	-	-	-	237	-	-	-	-	-	-	237
Net change in fair value of cash flow hedge reserve (Note 5)	-	-	-	-	515	-	-	-	-	-	515
Deferred tax on cash flow hedges	-	-	-	-	(64)	-	-	-	-	-	(64)
Total comprehensive income for the year	-	-	-	237	451	-	-	-	-	120,999	121,687
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 13)	*125,827*	13	2,212	-	-	-	-	-	-	-	2,225
Own shares acquired by the long term incentive plan trust – 627,808 ordinary shares (Note 13)	-	-	-	-	-	-	-	(36,281)	-	-	(36,281)
Other (Note 13)	-	-	-	-	-	55	-	-	-	(55)	-
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	12,462	-	12,462
Equity-settled transactions – vestings (Note 13)	-	-	-	-	-	-	-	13,487	(10,929)	(2,198)	360
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	294	294
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	-	(659)	659	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	-	(53,477)	(53,477)
Total contributions by and distributions to owners of the Company	*125,827*	13	2,212	-	-	55	-	(22,794)	874	(54,777)	(74,417)
Balance at 31 December 2012	*50,850,848*	5,085	40,038	14,110	451	1,240	(34,177)	(56,191)	22,792	284,308	277,656

Notes 1 to 19 on pages 20 to 32 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

3 March 2014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Paddy Power plc (the 'Company') and its subsidiaries (together referred to as the 'Group') provide online interactive sports betting services ('paddypower.com', 'paddypower.it', 'sportsbet.com.au' and 'iasbet.com.au'), sports betting and machine gaming services through a chain of licensed betting offices ('Paddy Power Bookmaker') and telephone sports betting ('Dial-a-Bet'). The Group also provides online gaming services through 'paddypower.com', 'paddypowergames.com', 'paddypowercasino.com', 'paddypowerbingo.com', 'paddypowerpoker.com', 'paddypowervegas.com', 'rollercasino.com' and 'betdash.com'. It provides these services principally in the United Kingdom, Ireland, Australia and Italy. It also provides business-to-business services globally.

The Company is a public limited company incorporated and domiciled in the Republic of Ireland and has its primary listing on the Irish Stock Exchange.

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU together with an unqualified audit report thereon under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 3 March 2014.

2. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator. The consolidated financial statements are prepared on the historical cost basis except for betting transactions and foreign exchange forward contracts (which are recorded as derivative financial instruments), contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of share-based payments). The condensed consolidated financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

Except as set out below under 'Recent accounting pronouncements', the financial information contained in the condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2012 and last half yearly financial report in respect of the year ended 31 December 2013.

Recent accounting pronouncements
The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2013:

<u>IFRS 13 'Fair Value Measurement'</u>
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

<u>Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'</u>
As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be so reclassified. Tax impacts have also been so allocated. Comparative information has been re-presented accordingly. The adoption of the Amendments to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

<u>Amendments to existing standards</u>
During the period, a number of amendments to existing accounting standards became effective. These have been considered by the directors and have not had a significant impact on the Group's consolidated financial statements.

<u>New IFRSs not yet adopted</u>
The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs which are not yet effective and have not been adopted early in these condensed consolidated financial statements:

2. Basis of preparation and summary of significant accounting policies (continued)

- IFRS 9, 'Financial Instruments' (expected to be effective for the Group's 2017 consolidated financial statements).
- IFRS 10, 'Consolidated Financial Statements' (effective for the Group's 2014 financial statements).
- IFRS 11, 'Joint Arrangements' (effective for the Group's 2014 Financial Statements).
- IFRS 12, 'Disclosure of Interests in Other Entities' (effective for the Group's 2014 financial statements).
- IAS 27 (2011), 'Separate Financial Statements' (effective for the Group's 2014 consolidated financial statements).
- IAS 28 (2011), 'Investments in Associates and Joint Ventures' (effective for the Group's 2014 consolidated financial statements).
- Amendments to IAS 32, 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities', (effective for the Group's 2014 consolidated financial statements).

The directors do not believe that any of the above will have a significant impact on Group reporting. There are other new accounting standards which have been considered but are not deemed applicable.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Paddy Power plc and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group equity therein. Non-controlling interest comprises the amount of such interests at the date of original business combination, either as a proportion of the fair value of identifiable assets acquired or at full fair value, and the non-controlling interest's share of changes in equity since the date of original combination.

Judgements and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Operating segments

The income, operating profit and net assets of the Group relate to the provision of betting and gaming activities, the vast majority of which are conducted in the United Kingdom ('UK'), Australia and the Republic of Ireland.

The Group's operating segments are divisions that are managed separately, due to a combination of factors including method of service delivery (online, retail shops, telephone), geographical segmentation and the different services provided and these operating segments are the Group's reportable segments.

(a) Reportable business segment information

The Group considers that its reportable segments are as follows:

- Online (ex Australia);
- Online Australia;
- UK Retail;
- Irish Retail; and
- Telephone.

The Online (ex Australia), UK Retail, Irish Retail and Telephone segments all derive their revenues primarily from sports betting and/ or gaming (gaming machines, games, casino, bingo and poker). Online (ex Australia) services are delivered primarily through the internet, Telephone through the public telephony system and UK and Irish Retail through licensed bookmaking shop estates. The Online (ex Australia) and Telephone segments derive their revenues primarily from the UK and Ireland, UK Retail from retail outlets in Great Britain and Northern Ireland, and the Irish Retail segment from retail outlets in the Republic of Ireland. The Online Australia segment earns its revenues from sports betting services provided to Australian customers using both the internet and the public telephony system.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies set out in Note 2 above. Central operating expenses are allocated to reportable segments based on internal management allocation methodologies. Any expenses that are not directly allocated to reportable segments in internal management reports are shown in the reconciliation of reportable segments to Group totals. The Group does not allocate income tax expense or interest. Treasury management is centralised for the Online (ex Australia), UK Retail, Irish Retail and Telephone segments. The Online Australia segment manages its own treasury function under Group Treasury oversight. Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

3. Operating segments (continued)

Reportable business segment information for the year ended 31 December 2013:

	Online (ex Australia) €'000	**Online Australia €'000**	**UK Retail €'000**	**Irish Retail €'000**	**Telephone €'000**	**Total reportable segments €'000**
Income from external customers	**299,745**	**179,627**	**127,880**	**115,895**	**22,048**	**745,195**
Inter-segment trading	**-**	**-**	**(347)**	**(246)**	**593**	**-**
Total income	**299,745**	**179,627**	**127,533**	**115,649**	**22,641**	**745,195**
Direct betting costs	**(41,157)**	**(44,522)**	**(31,385)**	**(10,974)**	**(205)**	**(128,243)**
Gross profit	**258,588**	**135,105**	**96,148**	**104,675**	**22,436**	**616,952**
Depreciation and amortisation	**(14,919)**	**(7,903)**	**(8,466)**	**(7,100)**	**(1,080)**	**(39,468)**
Other operating expenses	**(170,173)**	**(93,732)**	**(73,783)**	**(83,554)**	**(18,856)**	**(440,098)**
Reportable segment profit	**73,496**	**33,470**	**13,899**	**14,021**	**2,500**	**137,386**

Reportable business segment information for the year ended 31 December 2012:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	263,065	156,427	101,428	110,434	22,396	653,750
Inter-segment trading	-	-	(83)	(2)	85	-
Total income	263,065	156,427	101,345	110,432	22,481	653,750
Direct betting costs	(36,955)	(37,006)	(15,998)	(9,969)	(269)	(100,197)
Gross profit	226,110	119,421	85,347	100,463	22,212	553,553
Depreciation and amortisation	(9,130)	(7,469)	(6,567)	(7,724)	(1,269)	(32,159)
Other operating expenses	(144,243)	(81,116)	(63,440)	(78,366)	(18,229)	(385,394)
Reportable segment profit	72,737	30,836	15,340	14,373	2,714	136,000

Reconciliation of reportable segments to Group totals:

	2013 €'000	2012 €'000
Income		
Total income from reportable segments, being total Group income	**745,195**	653,750
Profit and loss		
Total profit and loss from reportable segments	**137,386**	136,000
Unallocated amounts:		
Financial income – non-Online Australia (1)	**580**	695
Financial income – Online Australia	**3,245**	2,745
Financial expense – non-Online Australia (1)	**(112)**	(279)
Financial expense – Online Australia	**(69)**	(6)
Profit before tax	**141,030**	139,155

(1) Non-Online Australia above comprises the Online (ex Australia), UK Retail, Irish Retail and Telephone operating segments. Financial expense relating to these segments is primarily in respect of guarantee and facility fees payable, other interest amounts payable, and the unwinding of discounts on provisions and other non-current liabilities.

3. Operating segments (continued)

(b) Geographical segment information
The Group considers that its primary geographic segments are 'UK', 'Australia' and 'Ireland and rest of world'. The UK geographic segment consists of the UK Retail bookmaking business, online and telephone sports betting from UK customers, and online gaming from UK customers. The Australia geographic segment consists of online and telephone sports betting from Australian customers. The Ireland and rest of world geographic segment is composed of the Irish Retail bookmaking business, online and telephone sports betting from Irish and rest of world customers, online gaming from Irish and rest of world customers and B2B services provided to rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

Group revenues by geographical segment are as follows:

Income

	2013	2012
	€'000	€'000
UK	**357,112**	310,252
Australia	**179,627**	156,427
Ireland and rest of world	**208,456**	187,071
Total	**745,195**	653,750

(a) Revenues are attributed to geographical location on the basis of the customer's location.

Non-current assets (excluding financial and deferred tax asset balances) by geographical segment are as follows:

Non-current assets

	2013	2012
	€'000	€'000
UK	**128,586**	104,854
Australia	**77,386**	91,764
Ireland and rest of world	**74,886**	72,819
Total	**280,858**	269,437

4. Direct betting costs

Direct betting costs comprise:

	2013	2012
	€'000	€'000
Betting taxes	**52,249**	33,165
Software supplier costs	**25,139**	22,676
Other direct betting costs	**50,855**	44,356
Direct betting costs	**128,243**	100,197

Betting taxes comprise betting taxes levied on gross win and amounts staked, machine gaming duty (which was introduced on 1 February 2013), and Goods and Services Tax ('GST') on Online Australia segment gross win.

Software supplier costs comprise direct costs incurred under supplier agreements for the provision of online casino, bingo, poker, fixed odds gaming services and retail betting machines.

Other direct betting costs comprise payments to third parties for new online customers acquired, product and racefield fees payable to Australian state racing authorities, data rights which mainly comprise costs incurred in respect of British Horseracing Board and UK statutory levies, customer bad debt charges and other miscellaneous direct betting costs.

5. Financial income and expense

	2013 €'000	2012 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**3,363**	3,342
Unwinding of the discount on non-current assets	**462**	98
	3,825	3,440
Financial expense:		
On financial liabilities at amortised cost		
Interest on bank guarantees and bank facilities, and other interest payable	**47**	121
Unwinding of the discount on provisions and other non-current liabilities	**134**	164
	181	285

	2013 €'000	2012 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**2,706**	(1,324)
Fair value of foreign exchange cash flow hedges transferred to income statement	**(4,688)**	1,839
Net change in fair value of cash flow hedge reserve	**(1,982)**	515
Foreign exchange (loss) / gain on translation of the net assets of foreign currency denominated subsidiaries	**(21,774)**	237
	(23,756)	752

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2013 (2012: €nil).

6. Income tax expense

	2013 €'000	2012 €'000
Recognised in profit or loss:		
Current tax charge	**22,370**	24,250
Prior year over provision	**(1,537)**	(1,800)
	20,833	22,450
Deferred tax credit	**(3,052)**	(4,664)
Prior year under provision	**65**	370
Decrease in net deferred tax liability	**(2,987)**	(4,294)
Total income tax expense in income statement	**17,846**	18,156

The difference between the total income tax expense shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

		2013 €'000		2012 €'000
Profit before tax		**141,030**		139,155
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**17,629**	12.5%	17,394
Depreciation on non-qualifying property, plant and equipment	0.7%	**970**	0.2%	274
Effect of different statutory tax rates in overseas jurisdictions	0.7%	**999**	0.9%	1,304
Brands and licences	(0.4%)	**(637)**	(0.3%)	(434)
Other differences	0.2%	**318**	0.7%	990
Interest income taxable at higher rates	0.0%	**39**	0.0%	58
Over provision in prior year	(1.0%)	**(1,472)**	(1.0%)	(1,430)
Total income tax expense	12.7%	**17,846**	13.0%	18,156

Tax rates

No significant changes are expected to statutory tax rates in Ireland or Australia. Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012, respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current UK tax charge accordingly. The UK deferred tax balances at 31 December 2013 have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

7. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2013	2012
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**123,184**	120,999
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at the beginning of the year	**50,850,848**	50,725,021
Adjustments for weighted average number of:		
- ordinary shares issued during year	**15,975**	36,838
- ordinary shares held in treasury	**(1,734,000)**	(1,734,000)
- ordinary shares held by long term incentive plan trust	**(1,142,119)**	(843,957)
Weighted average number of ordinary shares in issue during the year	**47,990,704**	48,183,902
Basic earnings per share	**€2.567**	€2.511
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the year	**47,990,704**	48,183,902
Dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**892,228**	581,723
Adjusted weighted average number of ordinary shares in issue during the year	**48,882,932**	48,765,625
Diluted earnings per share	**€2.520**	€2.481

At 31 December 2013, no (2012: 325,826) options and awards were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8. Goodwill

The following cash generating units, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Total €'000
Balance at 1 January 2012	13,303	60,671	11,426	8,207	93,607
Arising on acquisitions during the year (Note 9)	-	-	2,604	125	2,729
Foreign currency translation adjustment	-	52	194	-	246
Balance at 31 December 2012	13,303	60,723	14,224	8,332	96,582
Arising on acquisitions during the year (Note 9)	**-**	**-**	**4,270**	**2,554**	**6,824**
Foreign currency translation adjustment	**-**	**(10,674)**	**(178)**	**-**	**(10,852)**
Balance at 31 December 2013	**13,303**	**50,049**	**18,316**	**10,886**	**92,554**

The Online (ex Australia) segment goodwill amount arose from the acquisition by the Group in November 2011 of CT Networks Limited ('Cayetano'), a games developer based in the Isle of Man and Bulgaria. Cayetano develops games for the online and mobile gaming markets.

The Online Australia segment goodwill amount arose from the acquisition by the Group of an initial 51% interest in Sportsbet Pty Limited ('Sportsbet') and the subsequent acquisition of International All Sports Limited ('IAS') by Sportsbet, both in 2009.

Goodwill on UK Retail arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties since 2010 (see Note 9).

Goodwill on Irish Retail arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988, the acquisition of three retail bookmaking businesses in 2007 and the acquisition of a number of retail bookmaking shop properties since 2009 (see Note 9).

Impairment tests for cash generating units containing goodwill and indefinite life intangible assets
In accordance with accounting requirements, the Group performs an annual test for impairment of its cash generating units. The most recent test was performed at 31 December 2013. Based on these reviews, with the exception of the IAS brand impairment of AUD6,900,000 which was entirely provided for in 2011, no impairment has arisen.

9. Business combinations

Year ended 31 December 2013

Shop property business acquisitions
In 2013, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Provisional fair values 31 December 2013 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**368**
Goodwill arising on acquisition – UK Retail and Irish Retail	**6,824**
Consideration	**7,192**
The consideration is analysed as:	
Cash consideration	**6,594**
Contingent deferred consideration	**598**
	7,192

The principal factors contributing to the UK Retail and Irish Retail goodwill balances are the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2013 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the three years following the date of acquisition. The contingent deferred consideration amount of €609,000 at 31 December 2013 represents management's best estimate of the fair value of the amounts that will be payable.

During 2013, the Group also paid a total of €2,984,000 in respect of contingent deferred consideration for the 2011 Online (ex Australia) acquisition and €88,000 in respect of a 2012 UK Retail acquisition (see below).

Year ended 31 December 2012

Shop property business acquisitions
In 2012, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Fair Values 31 December 2012 €'000
Identifiable net assets acquired:	
Property, plant and equipment	1,070
Goodwill arising on acquisition – UK Retail and Irish Retail	2,729
Consideration	3,799
The consideration is analysed as:	
Cash consideration	3,705
Contingent deferred consideration	94
	3,799

The principal factors contributing to the UK Retail and Irish Retail goodwill balances are the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2012 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets in the year following the date of acquisition. The contingent deferred consideration amount of €92,000 at 31 December 2012 represents management's best estimate of the fair value of the amount that will be payable.

During 2012, the Group also paid a total of €450,000 in respect of contingent deferred consideration for Irish Retail acquisitions, €60,000 for UK Retail acquisitions and €347,000 for the 2011 Online (ex Australia) acquisition.

9. Business combinations (continued)

Net cash outflow from purchase of businesses

	31 December 2013	31 December 2012
	€'000	€'000
Cash consideration – acquisitions in the period	**6,594**	3,705
Cash consideration – acquisitions in previous periods	**3,072**	857
	9,666	4,562
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**6,594**	3,705
Payment of contingent deferred consideration	**3,072**	857
	9,666	4,562

10. Trade and other receivables

Non-current assets

	31 December 2013	31 December 2012
	€'000	€'000
Prepayments and accrued income	**2,903**	4,837
	2,903	4,837

The amount in non-current prepayments and accrued income represents 'Goods and Services Tax' ("GST") refunds owing as a result of the court case brought by Sportsbet and IAS in 2011 against the Australian Commissioner of taxation relating to the interpretation and application of certain legislation pertaining to Australian 'Goods and Services Tax', as described more fully in the 2011 annual report.

Current assets

	31 December 2013	31 December 2012
	€'000	€'000
Trade receivables – credit betting customers	**3,907**	5,975
Trade receivables – other sports betting counterparties	**1,818**	1,154
Trade receivables	**5,725**	7,129
Other receivables	**1,815**	1,453
Prepayments and accrued income	**21,722**	17,481
	29,262	26,063

Trade and other receivables are non-interest bearing.

An amount of €1,615,000 has been included within current prepayments and accrued income at 31 December 2013 (2012: €1,955,000) relating to the GST court case referred to above.

11. Derivative financial assets

	31 December 2013	31 December 2012
	€'000	€'000
Current		
Foreign exchange forward contracts – cash flow hedges (Note 15)	**-**	375
	-	375

The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2012 was GBP55.5m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2012 (see Note 13) on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', were released to the income statement at various dates during the year ending 31 December 2013.

12. Financial assets and cash and cash equivalents

	31 December 2013 **€'000**	31 December 2012 €'000
Non-current		
Financial assets – restricted cash	**993**	5,359
	993	5,359
Current		
Financial assets – restricted cash	**52,806**	32,961
Financial assets – deposits	**13,686**	42,014
Cash and cash equivalents	**161,359**	129,004
	227,851	203,979
Total	**228,844**	209,338

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	31 December 2013 **€'000**	31 December 2012 €'000
Cash	**61,181**	42,488
Short term bank deposits – with an original maturity of less than three months	**100,178**	86,516
Cash and cash equivalents in the statement of cash flows	**161,359**	129,004

The effective interest rate on bank deposits at 31 December 2013 was 1.59% (2012:1.74%); these deposits have an average original maturity date of 61 days (2012: 78 days). The bank deposits also have an average maturity date of 36 days from 31 December 2013 (2012: 41 days).

The directors believe that all short term bank deposits can be withdrawn without significant penalty.

Financial assets (restricted cash and deposits) and cash and cash equivalents are analysed by currency as follows:

	31 December 2013 **€'000**	31 December 2012 €'000
Euro	**76,305**	82,643
GBP	**73,455**	54,461
AUD	**77,188**	69,453
USD	**1,595**	2,253
Other	**301**	528
	228,844	209,338

Financial assets

Included in non-current financial assets – restricted cash at 31 December 2013 are amounts totalling €993,000 (31 December 2012: €5,359,000) which are restricted at that date and beyond 31 December 2014 (2012: beyond 31 December 2013). This balance relates to bank deposits held by the Online Australia business segment to guarantee certain obligations relating to gambling licences and office accommodation held under operating leases (2012: €1,359,000). At 31 December 2012, there was also a deposit of €4,000,000 relating to the Online (ex Australia) business segment which was restricted at that date as it formed part of a guarantee issued in favour of a gaming regulatory authority to guarantee the payment of player funds, prizes and taxes due by the Group. This guarantee was terminated in 2013 (see Note 16).

Included in current financial assets – restricted cash at 31 December 2013 are bank deposits totalling €52,806,000 (2012: €32,961,000) which were either (1) restricted at that date, as they represented client funds balances securing player funds held by the Group or (2) required to be held to guarantee third party letter of credit facilities.

Included in current financial assets – deposits are bank deposits totalling €13,686,000 (2012: €42,014,000) which had an initial cost of €13,621,000 (2012: €42,159,000). The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7, 'Statement of Cash Flows', and, accordingly, the related balance has been separately reported in the consolidated statement of financial position.

13. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2012: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During the year, 126,237 ordinary shares of €0.10 each (2012: 125,827 ordinary shares of €0.10 each) were issued as a result of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes, for a total consideration of €1,621,000 (2012: €2,225,000) and giving rise to a share premium of €1,608,000 (2012: €2,212,000).

13. Share capital and reserves (continued)

The total number of ordinary shares issued at 31 December 2013 was 50,977,085 (2012: 50,850,848), those shares having a total nominal value of €5,098,000 (2012: €5,085,000).

The total number of shares held in treasury at 31 December 2013 was 1,734,000 shares (2012: 1,734,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the cost of the treasury shares, which amounted to €34,177,000 as of 31 December 2013 (2012: €34,177,000). The cost of treasury shares held by the Company at 31 December 2013 was €5,975,000 (2012: €5,975,000), with the remaining €28,202,000 of shares being held by Paddy Power Isle of Man Limited (2012: €28,202,000).

At 31 December 2013, the Company held a further 1,302,378 (2012: 1,270,442) of its own shares, which were acquired at a total cost of €71,736,000 (2012: €56,191,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan. The Company's distributable reserves at 31 December 2013 are further restricted by this cost amount. In the year ended 31 December 2013, 348,064 shares with an original cost of €8,675,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2012: 535,435 shares with an original cost of €13,487,000). During the year ended 31 December 2013, the Trust purchased 380,000 Paddy Power plc ordinary shares for a total consideration of €24,220,000 (2012: 627,808 Paddy Power plc ordinary shares for a total consideration of €36,281,000).

The foreign exchange translation reserve at 31 December 2013 had a debit balance of €7,664,000 (2012: credit balance of €14,110,000) which arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies. The movement in the foreign exchange translation reserve for the year ending 31 December 2013 reflects the weakening of the AUD and GBP against the euro in the period.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €876,000 (2012: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2012: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. No amount was transferred to the net wealth tax reserve from retained earnings in the year ended 31 December 2013 (2012: an amount of €55,000 was transferred) and the reserve had a balance of €104,000 at 31 December 2013 (2012: €104,000).

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. The Group has entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the year ended 31 December 2014. The fair value loss of €1,283,000 at 31 December 2013 (2012: gain of €451,000), which is stated after applicable deferred taxation of €184,000 (2012: deferred tax liability of €64,000), arises as the applicable forward contract EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2013 (31 December 2012: the applicable EUR-GBP rates were stronger than the relevant forward foreign exchange rate ruling at 31 December 2012).

In 2013, an amount of €699,000 (2012: €659,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €235,000 of deferred tax relating to the Group's share-based payments was credited to retained earnings in 2013 (2012: credit of €294,000).

14. Dividends paid on ordinary shares

	2013 **€'000**	2012 €'000
Ordinary shares:		
- final paid of 81.0 cent per share (2012: 70.0 cent)	**39,803**	34,355
- interim paid of 45.0 cent per share (2012: 39.0 cent)	**22,104**	19,122
	61,907	53,477
Proposed final dividend of 90.0 cent (2012: 81.0 cent) per share (see Note 18)	**44,325**	39,803

15. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2013	31 December 2012
	€'000	€'000
Trade and other payables		
Trade payables	**18,856**	19,789
Customer balances	**57,290**	56,765
PAYE and social security	**5,284**	4,921
Value added tax and goods & services tax	**1,035**	4,670
Betting duty, data rights and product & racefield fees	**9,349**	4,865
Employee benefits	**30,363**	30,146
Contingent deferred consideration – business combinations	**3,375**	2,581
Accruals and other liabilities	**55,421**	49,730
	180,973	173,467
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges	**1,467**	-
Sports betting open positions	**15,581**	11,767
	17,048	11,767

Non-current liabilities

	31 December 2013	31 December 2012
	€'000	€'000
Trade and other payables		
PAYE and social security	**501**	593
Employee benefits	**6,499**	13,083
Contingent deferred consideration – business combinations	**4,701**	9,216
Accruals and other liabilities	**588**	771
	12,289	23,663
Derivative financial liabilities		
Sports betting open positions	**270**	228
	270	228

Derivative financial liabilities
The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2013 was GBP61.3m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2013 on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', will be released to the income statement at various dates during the year ending 31 December 2014.

Sports betting open positions
Amounts received from customers on sportsbook events that have not occurred by the year end are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit or loss.

The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets. A currency risk may arise where such bets are denominated in a currency other than the euro. This currency risk is not considered significant as any payout on such bets is made in the same currency as that in which the bet was originally staked.

16. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.3m (2012: €15.5m) with Allied Irish Banks plc. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (2) in respect of certain third party rental and other property commitments and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2013 was €19,249,000 (2012: €5,629,000). No claims had been made against the guarantees as of 31 December 2013 (2012: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies, and, at 31 December 2013, were also secured by cash deposits totalling €18,769,000 (2012: €5,359,000) over which the guaranteeing banks hold security. The fair value accounting impact of these guarantees is deemed to be immaterial.

The Group has cash amounts totalling €35,030,000 (2012: €32,961,000) deposited in client funds accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2013, the total value of relevant customer balances attributable to the Online Australia business segment was €24,660,000 (AUD38,033,000) (2012: €25,546,000 (AUD32,474,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €73,859,000 (AUD113,913,000) (2012: €64,747,000 (AUD82,307,000)).

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group. The Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(b) Capital commitments
Capital expenditure contracted for at the statement of financial position date but not yet incurred was as follows:

	31 December 2013	31 December 2012
	€'000	€'000
Property, plant and equipment	**2,359**	3,342
Intangible assets	**183**	2,625
	2,542	5,967

(c) Operating leases
The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately seven years left to run (if the Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2013 and 2012, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2013	31 December 2012
	€'000	€'000
Within one year	**26,429**	23,376
Between two and five years	**84,564**	82,371
After five years	**82,496**	97,804
	193,489	203,551

The Group has a small number of shop properties that are sublet. Sublease payments of €321,000 (2012: €364,000) are expected to be received during the year ended 31 December 2014.

During 2013, an amount of €25,971,000 was recognised in profit or loss in respect of operating leases (2012: €23,438,000). Contingent rent expense in profit or loss amounted to a credit of €516,000 (2012: credit of €247,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €394,000 in 2013 (2012: €438,000).

Operating leases for licensed betting and other offices are entered into as combined leases of land and buildings. Since the title to the land does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the offices are with the landlord. As such, the Group has determined that the leases are operating leases.

17. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There were no transactions with related parties during the years ended 31 December 2013 and 2012 that materially impacted the financial position or performance of the Group.

18. Events after the reporting date

Dividend

In respect of the current year, the directors propose that a final dividend of 90.0 cent per share (2012: 81.0 cent per share) will be paid to shareholders on 23 May 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 14 March 2014. The total estimated dividend to be paid amounts to €44,325,000 (2012: €39,803,000).

19. Accounting estimates and judgements

Key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies

Goodwill of €92,554,000 (2012: €96,582,000) and indefinite life intangible assets of €32,544,000 (2012: €35,321,000) continues to be carried in the Group consolidated statement of financial position as the directors believe that there has been no impairment in the fair value of the net identifiable assets of the acquired businesses with the exception of the IAS brand intangible described more fully in Note 8.

The share-based payment reserve, which includes amounts in relation to the LTIP and various share option schemes, amounted to €31,113,000 at 31 December 2013 (2012: €22,792,000).

The fair value of the Group's sports betting open positions amounted to €15,851,000 at 31 December 2013 (2012: €11,995,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each reporting date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Group in the future, and is dependent on factors that cannot always be reliably predicted.

Included in trade and other payables at 31 December 2013 are contingent deferred consideration amounts of €8,076,000 (2012: €11,797,000) relating to certain business combinations and the purchase of non-controlling interest. Contingent deferred consideration is payable to vendors by reference to the acquired businesses' performance against various agreed targets including the performance of the acquired businesses, earnings per share growth and the share price of the Company. The contingent deferred consideration amount of €8,076,000 at 31 December 2013 represents management's best estimate of the fair value of the amounts that will be payable.