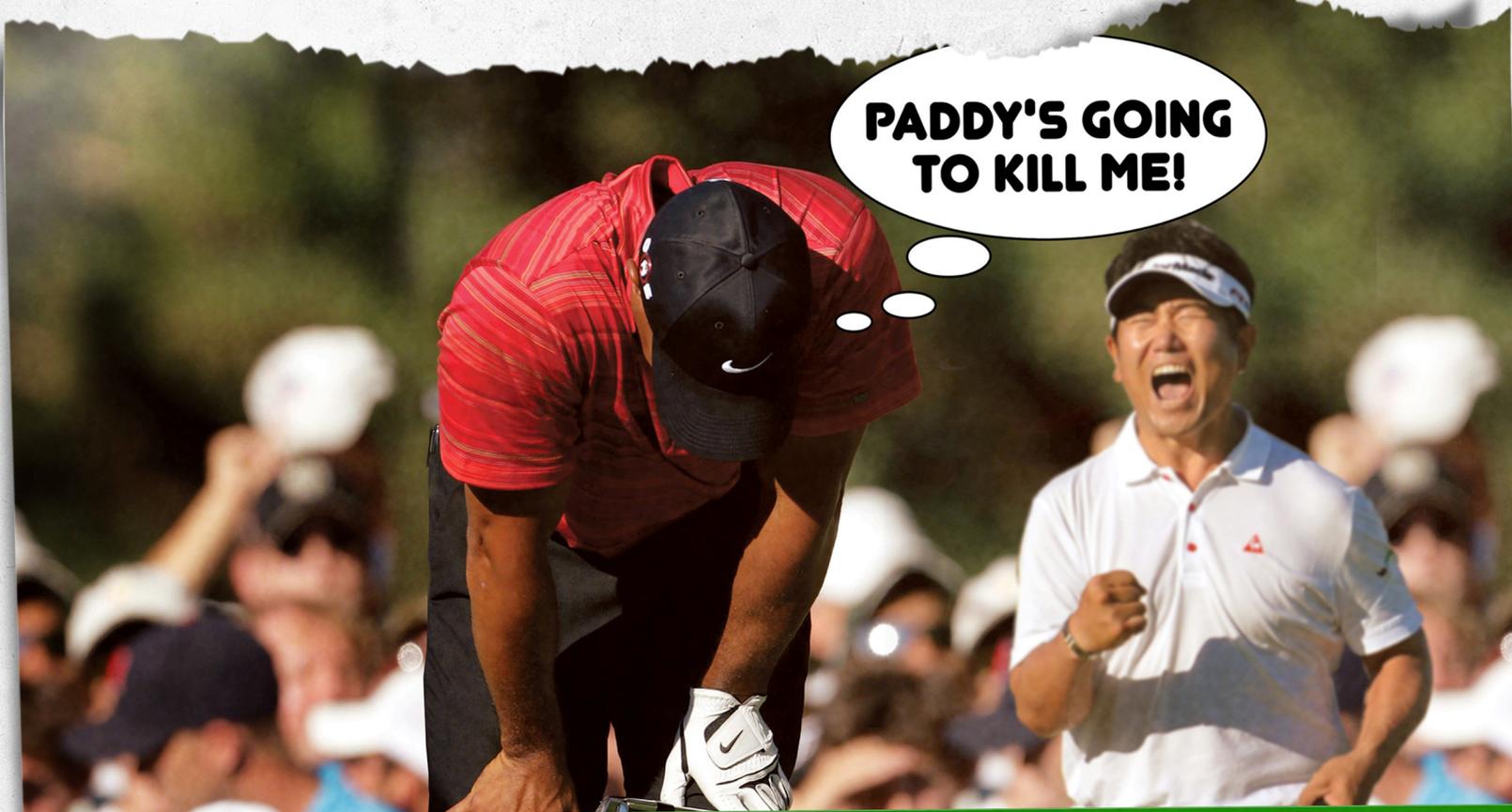


# Paddy Power plc



Before the third round teed off on Saturday, we paid out to Paddy Power customers who backed Tiger Woods to win the USPGA. We subsequently paid out on Y.E. Yang as well.

IT PAYS TO BE WITH PADDY POWER.  
WHEN WE GET IT WRONG - WE GET IT *REALLY* WRONG.

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## 2009 RESULTS

# Introduction

- **Introduction**
- Financial Performance
- Divisional Review
- Strategy & Outlook

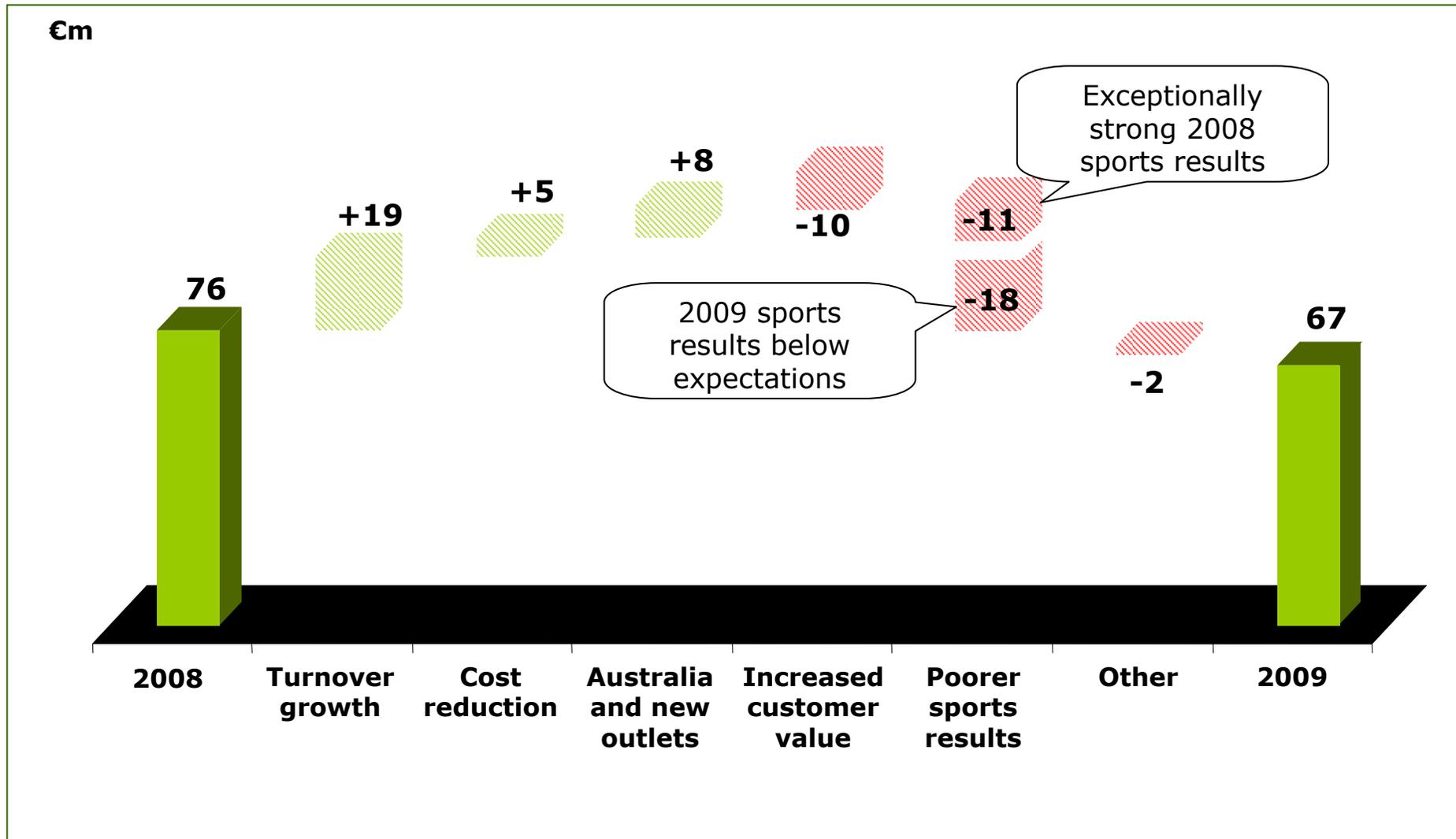
# Highlights

- Increased market share and turnover in all divisions
- Record online profits
- Successful entry into Australian and B2B markets
- Underlying profit growth before the adverse impact of y-o-y sporting results
- Net cash of €75m at year end

# Financial Performance

- Introduction
- **Financial Performance**
- Divisional Review
- Strategy & Outlook

# Operating Profit Bridge



# Financial Highlights

€m	2009	2008	Change
Turnover	2,752	2,101	+36% (CC)
<b>Gross win</b>	<b>296</b>	<b>284</b>	<b>+8% (CC)</b>
<b>Operating profit</b>	<b>66.7</b>	<b>75.7</b>	<b>-8% (CC)</b>
Profit before tax	67.2	79.0	-15%
Profit after tax	58.5	66.4	-12%
Diluted EPS	120.7c	137.8c	-12%
<b>Dividends</b>	<b>58.4c</b>	<b>54.0c</b>	<b>+8%</b>

- Turnover growth 14%\* (CC) after:
  - 11% GBP£ depreciation
  - 6% US\$ appreciation
- Sportsbook gross win margin\* -2.2%:
  - -c0.5% extra concessions
  - -c1.5% sporting results
  - -c0.2% business mix
- Gross win\* -4% (CC):
  - Sportsbook -9%
  - Gaming/machines +18%
- Like-for-like Opex reduced by 4% (CC)
- Effective tax rate down to 13.0%
- Proposed final dividend +10% reflecting:
  - Underlying performance
  - Confidence in prospects
  - Strong cash generation

Note 1: Percentage change presented in constant currency ('CC') i.e. change calculated with foreign currency component in '08 translated at '09 exchange rates

Note 2: Financials above and throughout these slides unless otherwise stated exclude a 'once-off' exceptional gain in 2008 of €2.7m pre tax and €2.5m after tax

\* Prior to the inclusion of the Group's acquisitions in Australia during 2009

# Gross Win to Gross Profit

€m	2009	2008	Change
<b>Gross win</b>	<b>295.9</b>	<b>283.7</b>	<b>+8% (CC)</b>
Betting & gaming taxes	(16.9)	(12.9)	+31%
Software supplier costs	(9.1)	(10.5)	-13%
Other	(11.9)	(6.6)	+80%
<b>Gross profit</b>	<b>258.0</b>	<b>253.7</b>	<b>+5% (CC)</b>

- 'Cost of sales' as a percentage of gross win:
  - Group: 12.8% (2008: 10.6%)
  - Group excluding Australia: 10.8% (2008: 10.6%)
- 'Cost of sales' y-o-y excluding Australia:
  - Betting & gaming taxes +4%
  - Software supplier costs -13%
  - Other -10%

# Cash Flow

€m	2009	2008
<b>Operating profit</b>	<b>66.7</b>	<b>75.7</b>
Depreciation and disposals	18.2	17.3
Employee share schemes	5.8	6.9
Working capital	5.4	5.9
Maintenance capex	(5.1)	(5.4)
<b>Operating cashflow</b>	<b>91.0</b>	<b>100.4</b>
Exceptional gain	-	2.7
Enhancement capex	(13.8)	(11.9)
Acquisitions	(30.4)	(23.6)
Corporation tax	(10.7)	(13.1)
LTIP share purchases	(14.1)	(11.6)
Dividends	(26.2)	(25.9)
Purchase of own shares	-	(28.6)
Share issues, interest and disposals	5.5	4.0
Foreign currency	(3.3)	(3.6)
<b>Decrease in net cash</b>	<b>(2.0)</b>	<b>(11.2)</b>
<b>Net cash at year end</b> (2009: Cash €91m, Debt €16m)	<b>74.7</b>	<b>76.7</b>

# Capital Expenditure

€m	Maintenance	Enhancement	Total
Irish Retail	2.3	1.9	4.2
UK Retail	0.7	6.3	7.0
Other	2.1	5.6	7.7
<b>TOTAL</b>	<b>5.1</b>	<b>13.8</b>	<b>18.9</b>

*'Enhancement' includes new shop openings, relocations, extensions and refits of acquired shops; 'Maintenance' includes regular shop refits.*



# Divisional Review

- Introduction
- Financial Performance
- **Divisional Review**
- Strategy & Outlook

# Gross Win Percentages

H1



H2



# Divisional Summary

## Turnover

€m	2009	2008	CC
Online (ex Australia)	856	695	+31%
Australia	450	n/a	n/a
Irish Retail	949	935	+1%
UK Retail	198	174	+28%
Telephone (ex Australia)	297	297	+5%

<b>Total</b>	<b>2,752</b>	<b>2,101</b>	<b>+36%</b>
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## Gross win

Online (ex Australia)	108	106	+7%
Australia	32	n/a	n/a
Irish Retail	106	124	-15%
UK Retail	35	33	+22%
Telephone (ex Australia)	15	21	-26%

<b>Total</b>	<b>296</b>	<b>284</b>	<b>+8%</b>
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## Operating profit

Online (ex Australia)	45.7	42.8	+13%
Australia	4.6	n/a	n/a
Irish Retail	16.3	28.3	-42%
UK Retail	1.3	1.2	+152%
Telephone (ex Australia)	(1.2)	3.4	n/a

<b>Total</b>	<b>66.7</b>	<b>75.7</b>	<b>-8%</b>
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# Online (ex Australia)

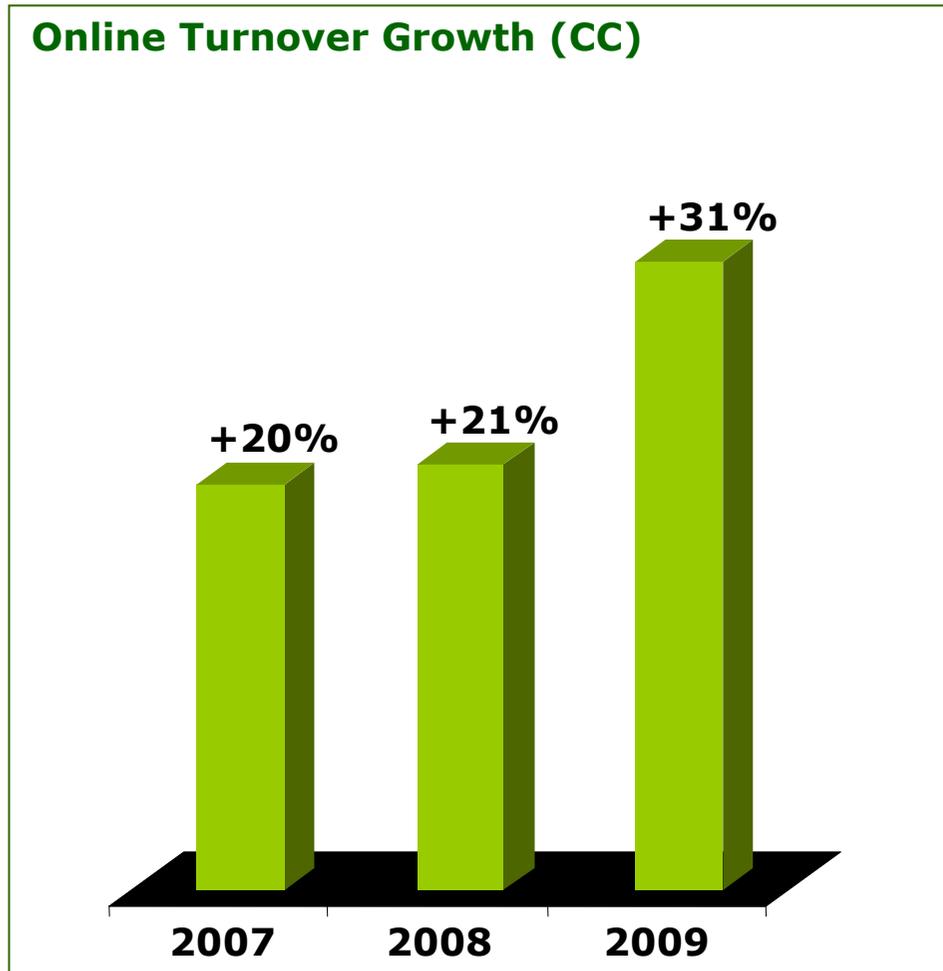
€m	2009	2008	CC
Turnover	856	695	+31%
<b>Gross Win Sportsbook</b>	<b>55.3</b>	<b>58.6</b>	<b>0%</b>
<i>Sportsbook Gross Win %</i>	<i>6.9%</i>	<i>9.1%</i>	
<b>Gross Win Gaming</b>	<b>52.5</b>	<b>47.1</b>	<b>+16%</b>
Total Gross Win	107.8	105.7	+7%
Gross Profit	94.6	91.1	+9%
<b>Operating Profit</b>	<b>45.7</b>	<b>42.8</b>	<b>+13%</b>
<i>Active Customers*</i>	<i>446,401</i>	<i>378,239</i>	<i>+18%</i>

- Strong sportsbook turnover growth:
  - Active customers +21%
  - Bet volumes +55%
- Gross win % below expected range of 7%-8% due to adverse sporting results
- Gaming gross win +25% (CC) in H2
- Increased profits within each of the gaming businesses
- Record profitability despite headwinds (sport results, Euro08, FX)

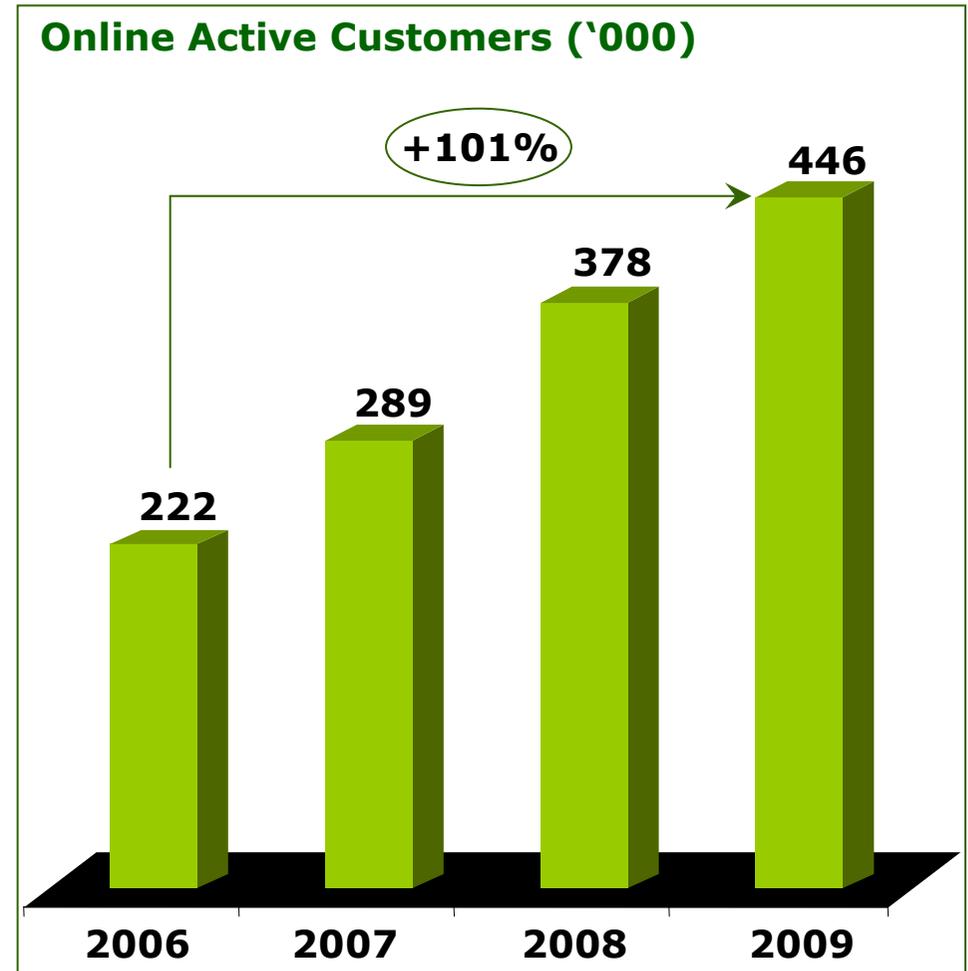
\* Active customers re-defined as those who have bet in the reporting period

# Online Momentum (ex Australia)

## TURNOVER



## CUSTOMERS



# Australia

€m	2009	
Turnover	450	
<b>Gross Win</b>	<b>31.8</b>	
<i>Sportsbook Gross Win %</i>	<i>7.1%</i>	
Gross Profit	22.3	
<b>Trading Profit</b>	<b>6.8</b>	
Once-off costs	(2.2)	
<b>Operating Profit</b>	<b>4.6</b>	
<i>Active Customers*</i>	<i>92,820</i>	

<ul style="list-style-type: none"> <li>▪ Comprises online/phone sportsbooks of:               <ul style="list-style-type: none"> <li>➢ Sportsbet since 1 July</li> <li>➢ IAS since 1 October</li> </ul> </li> <li>▪ Strong growth since acquisition:**               <ul style="list-style-type: none"> <li>➢ Turnover +19% (Online +40%)</li> <li>➢ Gross Win + 41% (Online +42%)</li> <li>➢ Q4 customers* +76% (Online +80%)</li> </ul> </li> <li>▪ Increased market share and leadership position</li> </ul>
---

\*Active customers defined as those who bet in Q4 2009

\*\* All comparatives constant currency versus same period in 2008

# Australia Developments Since Acquisition

- Management team expanded
- Integration of Sportsbet and IAS near complete
- Ongoing product fee legal cases
- Lower betting duty
- Productivity Commission Report
- Sportsbet shareholding increased by 9.8%

The logo for Sportsbet.com.au, featuring the word "sportsbet" in white and orange lowercase letters, with ".com.au" in white lowercase letters below it, all on a blue background with a white dot pattern.The logo for IASbet.com, featuring a red stylized triangle icon to the left of the text "IASbet.com" in red, with ".com" in a smaller font size.

# B2B

## PMU

- Largest betting organisation in Europe
- 5 year revenue share contract
- Sports betting
  - trading
  - risk management
  - event management
- Ideal first client for new unit
- Targeting to be live by World Cup

## NEW BUSINESS UNIT

- Sell e-commerce, product, risk management and marketing services
- Clients could include:
  - betting or gaming operators
  - lottery operators
  - media companies
- Opportunity as international markets liberalise



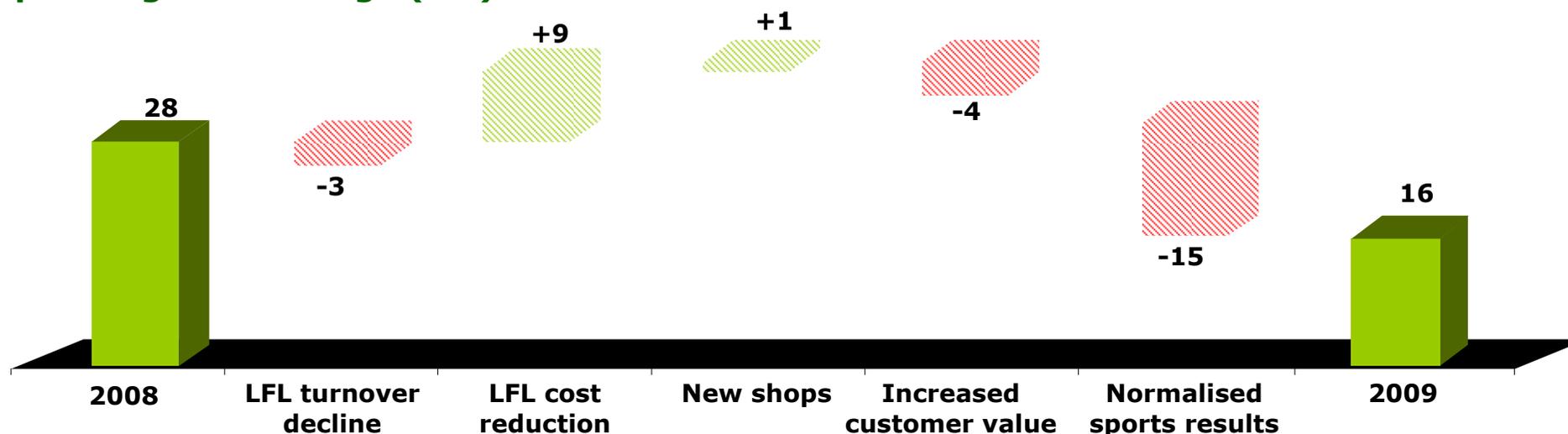
Philippe Germond, Chairman & CEO of PMU, and Brian Cowen, An Taoiseach, at the launch of the PMU partnership

# Irish Retail

€m	2009	2008	Change
Turnover	949	935	+1%
<b>Gross Win</b>	<b>106.0</b>	<b>124.3</b>	<b>-15%</b>
<i>Sportsbook Gross Win %</i>	<i>11.2%</i>	<i>13.3%</i>	
Gross Profit	96.2	114.4	-16%
<b>Operating Profit</b>	<b>16.3</b>	<b>28.3</b>	<b>-42%</b>
<i>Shops at period end</i>	<i>198</i>	<i>191</i>	<i>+4%</i>

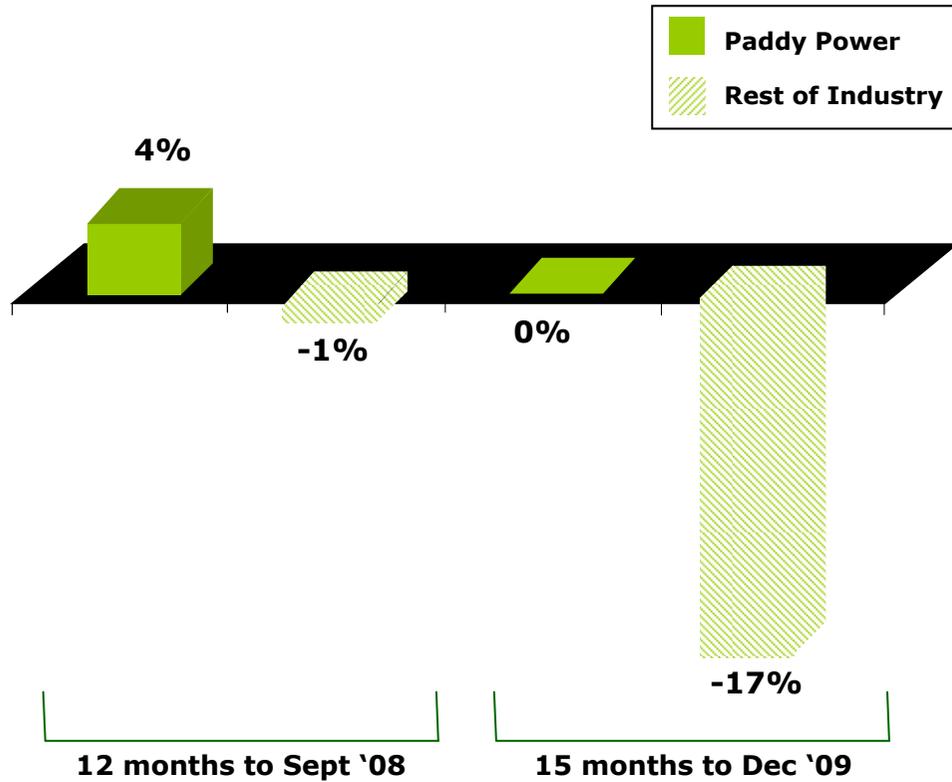
- Like-for-like KPIs:
  - Amounts staked -3%
  - Gross win -18%
  - Opex -10%
- Seven new shops opened, including one acquired
- Estimated 120 shops closed across industry in last 18 months
- Betting tax increase from 1% to 2% postponed for Government review

## Operating Profit Bridge (€m)

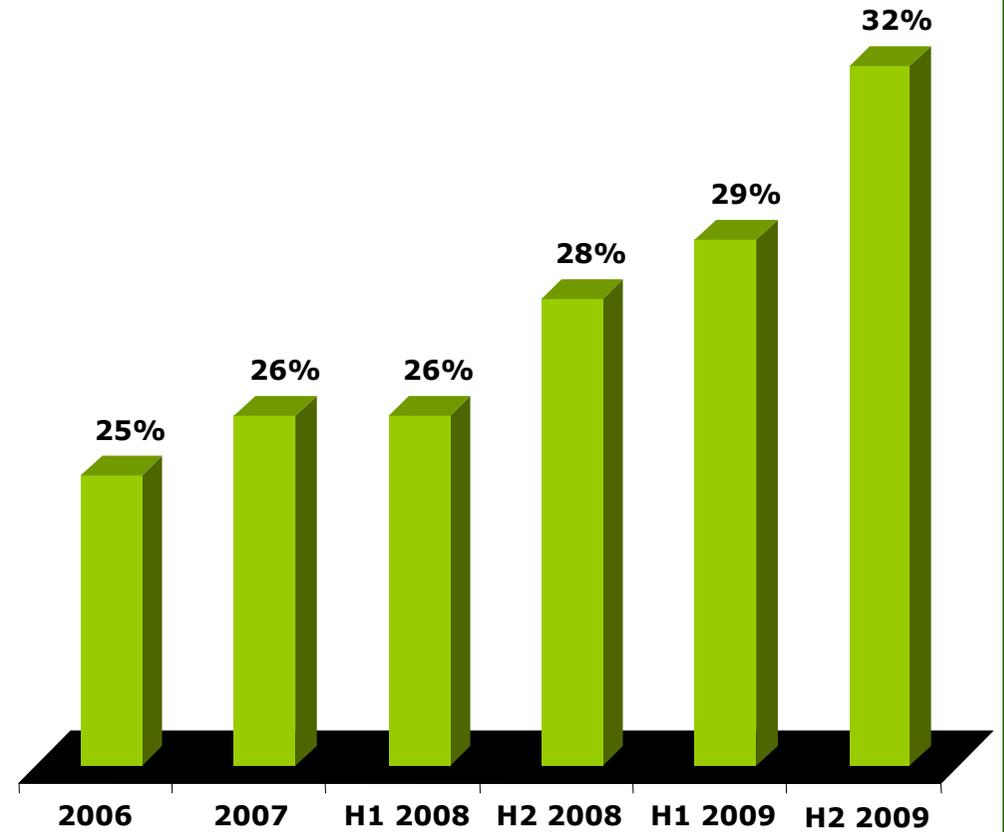


# Irish Retail

## Y-o-Y Turnover Movement



## Paddy Power Market Share



Source: Irish Revenue Betting Duty Tax Return Data plus estimate for final Q4'09 update

# UK Retail

€m	2009	2008	CC
Turnover	198	174	+28%
Gross Win OTC*	21.3	20.1	+18%
<i>Sportsbook Gross Win %</i>	<i>11.6%</i>	<i>12.5%</i>	
Gross Win Machines	14.1	12.4	+27%
<b>Total Gross Win</b>	<b>35.4</b>	<b>32.5</b>	<b>+22%</b>
<b>Shop EBITDA</b>	<b>9.8</b>	<b>9.1</b>	<b>+24%</b>
Shop Depreciation	(4.5)	(4.2)	+8%
<b>Shop EBIT</b>	<b>5.3</b>	<b>4.9</b>	<b>+42%</b>
Central Overhead	(4.0)	(3.7)	+20%
<b>Operating Profit</b>	<b>1.3</b>	<b>1.2</b>	<b>+152%</b>
<i>Shops at year end</i>	<i>93</i>	<i>68</i>	<i>+37%</i>

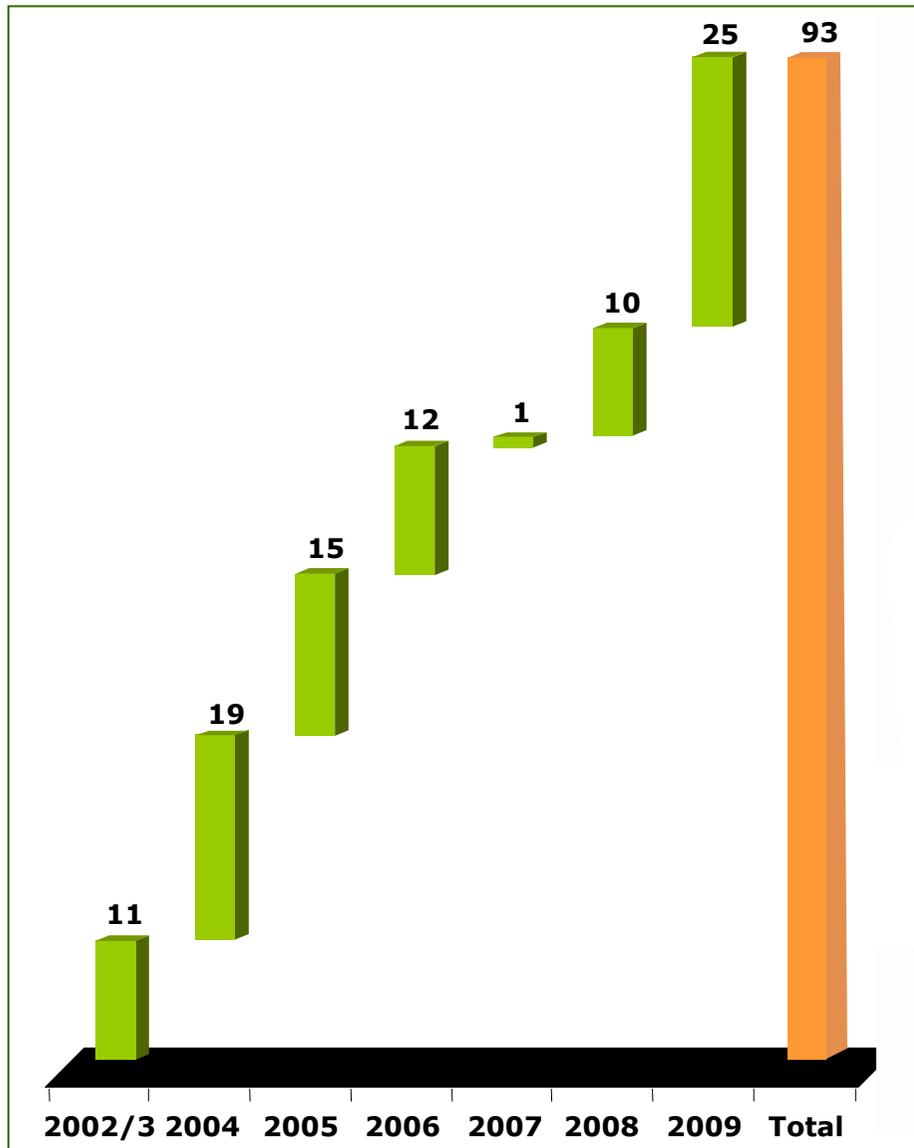
- Like-for-like KPIs (CC):
  - OTC\* amounts staked 0.0%
  - OTC gross win -2.9%
  - Machine gross win +5.8%
  - Total gross win +0.4%
  - Operating costs (including development) +1%
  - EBITDA per shop in Great Britain +7% to £120K\*\*
- Increased profits from 60 London shops at start of 2009 (€1.1m) and full year contribution from eight N. Irish shops (€0.5m)
- Offset by weaker sterling (-€0.7m) and upfront costs of new openings (-€0.8m)

\*Over-the-counter

\*\*Great Britain ('GB') refers to the UK excluding Northern Ireland

# UK Retail Estate

## BY YEAR OF OPENING

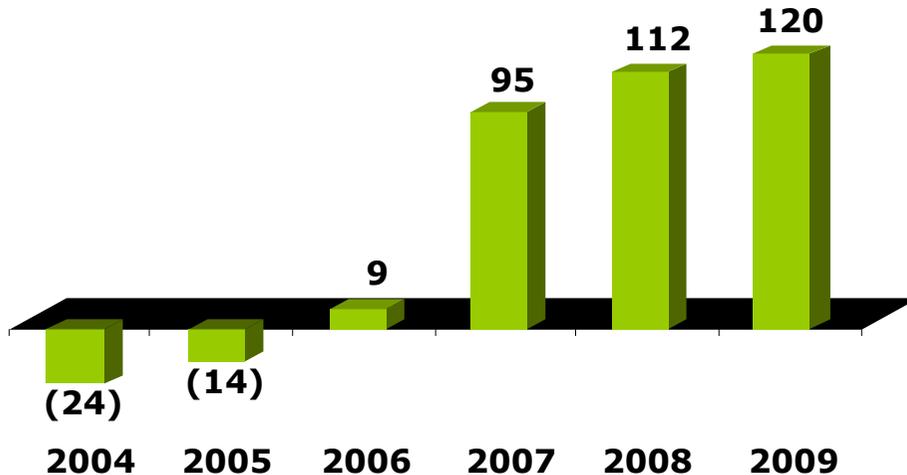


## BY LOCATION

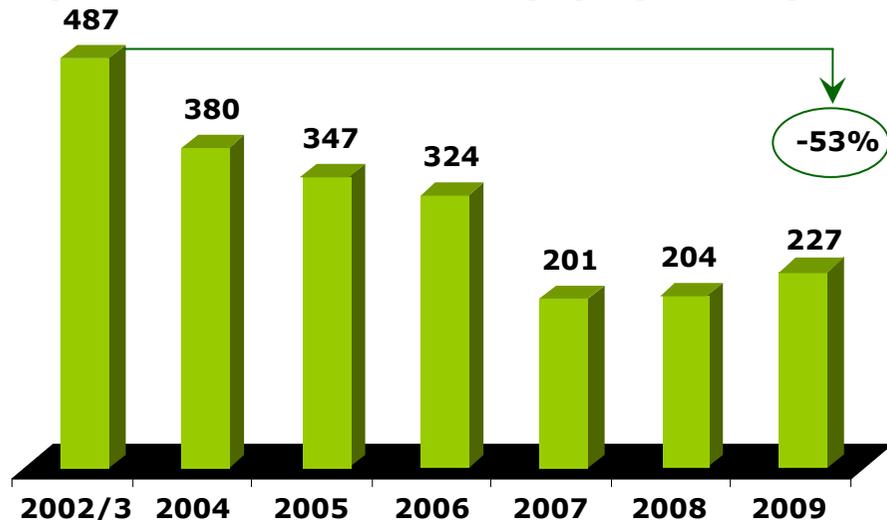


# GB Retail: Return on Capital

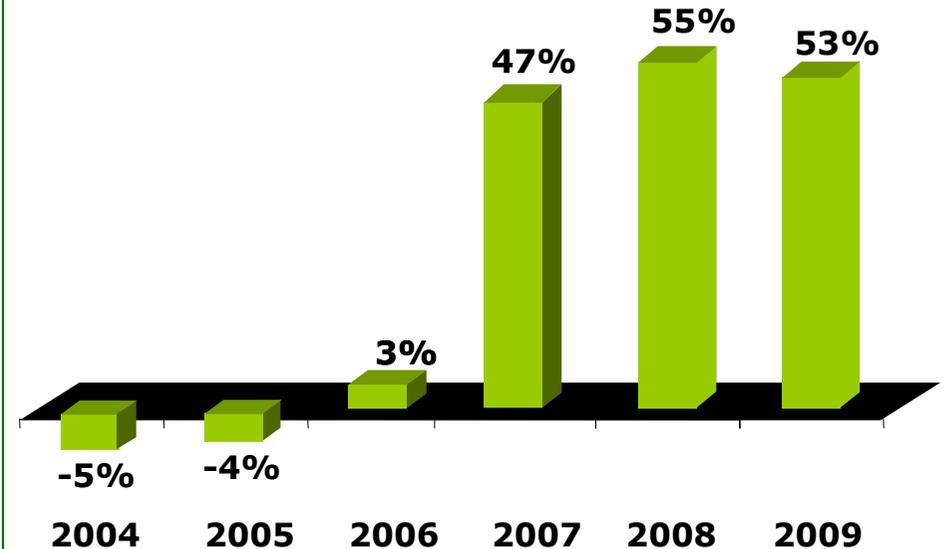
EBITDA Per Shop (Stg £'000)\*



Capital Cost Per New Shop (Stg £'000)\*\*



EBITDA/Capital Cost Per Shop



\* Excludes shops opened in 2009

\*\* Excludes lease premia (£25,000 per shop average from 2002 to 2009)

# Telephone (ex Australia)

€m	2009	2008	CC
Turnover	297	297	+5%
<b>Gross Win</b>	<b>14.9</b>	<b>21.1</b>	<b>-26%</b>
<i>Sportsbook Gross Win %</i>	<i>5.0%</i>	<i>7.1%</i>	
<b>Operating Profit / (Loss)</b>	<b>(1.2)</b>	<b>3.4</b>	<b>n/a</b>
<i>Active Customers*</i>	<i>63,956</i>	<i>51,892</i>	<i>+23%</i>

- Decline in profit driven by:
  - Reduced gross win percentage
  - Weaker sterling (-€0.5m)
  - Stake per bet -23% (CC)
- Positive underlying profitability drivers:
  - Active customers +23%
  - Bet volumes +37%
  - Operating costs reduced by 7% (CC)

\*Active customers re-defined as those who have bet in the reporting period

## Operating Profit Bridge (€m)



# Strategy & Outlook

- Introduction
- Financial Performance
- Divisional Review
- **Strategy & Outlook**

# Value

THANKS A \*\*\*\*\* BUNCH  
THIERRY, YOU \*\*\*\*\* \*\*\*\* !

TO EASE THE PAIN  
IT'S MONEY-BACK!



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What did your Bookie do?

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**THIS BET IS FREE!**

We value your custom. To thank you for your business, we have placed this bet **free of charge**.

You placed:

Single on 4:00 HANDICAP (0-70)  
(7f 32yds) Royal Challenge

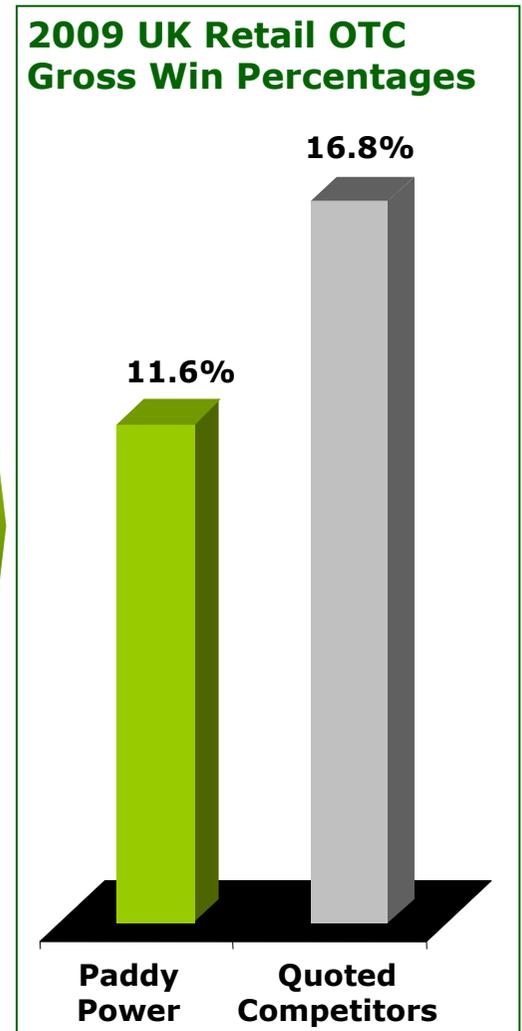
Good Luck!

**POWERPLAY**

ADE-BOY

**ADEBAYOR**  
TO BE FIRST GOALSCORER  
MAN CITY V ARSENAL KO 7.45PM

SPECIAL PRICE **5/1**

# Product

**12:20 LINGFIELD** NO MORE BETS

1m 100yds Handicap 16 Run

1		PASSION FRUIT	7/2
2		FANTASY PARKES	4
3		CASSIE'S CHOICE	4
4		POPPEY'S ROSE	8
5		DANCE IN STYLE	10
6		CRYSTAL VENTURE	12
7		ISLAND MUSIC	16
8		KHAZINA	16
9		WAITING FOR NOW	20
10		HAZIN	33

**NO MORE BETS AT 12:20:25**

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**Last Man Standing**

Welcome to the ultimate Last Man Standing competition. The rules are simple and the competition is tough. Enter with a chance to win prizes along with the fame and glory.

**In order to play you need to allow this application to send you e-mails.**

**Step 1.** [Enable facebook emails](#) Don't worry we promise not to spam you, but we do need to be able to inform you if you win!

**Step 2.** [Allow us to write on your wall](#) We will post your progress updates on your wall (optional).

**Step 3.** [Click here to start playing!](#) Now you can start playing!!

**Banker Builder - NEW**

Build your banker bet following these 3 easy steps:

1 Select  bankers 2  Returns 26.18 3 [Add Bankers To Slip](#)

**YOUR SELECTIONS**

<input checked="" type="checkbox"/> Xerez v Real Madrid	1/5	AWAY	<input checked="" type="checkbox"/> Celtic v Hearts	4/11	HOME
<input checked="" type="checkbox"/> Man City v Bolton	4/9	HOME	<input checked="" type="checkbox"/> West Brom v Scunthorpe	4/9	HOME
<input checked="" type="checkbox"/> Cardiff v Peterborough	8/15	HOME			

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# Brand

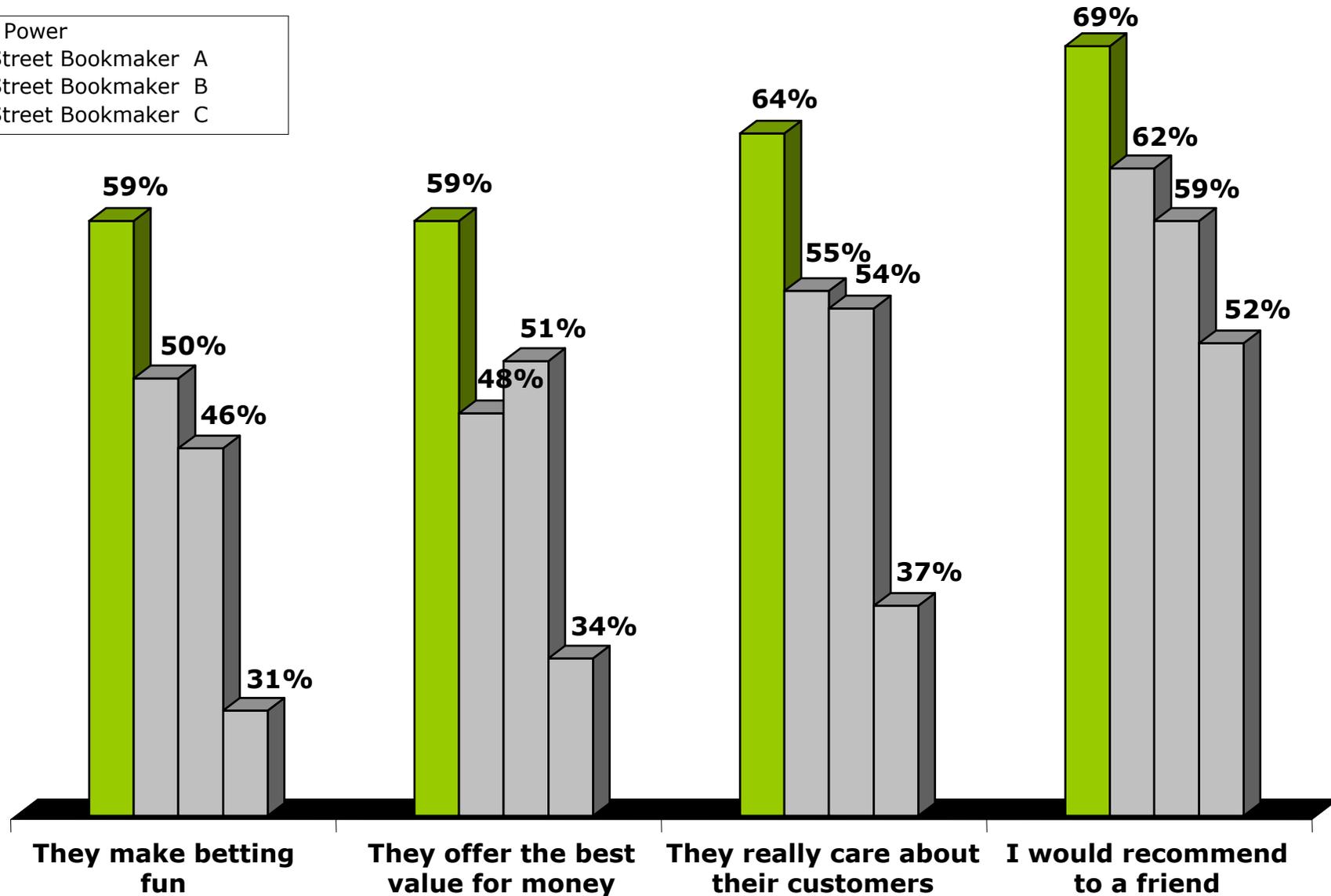


- RTL
- ITN
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- BBC
- CNN
- NBC
- TIME
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- The Washington Post
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- THE Sun
- LE FIGARO
- Daily Mail



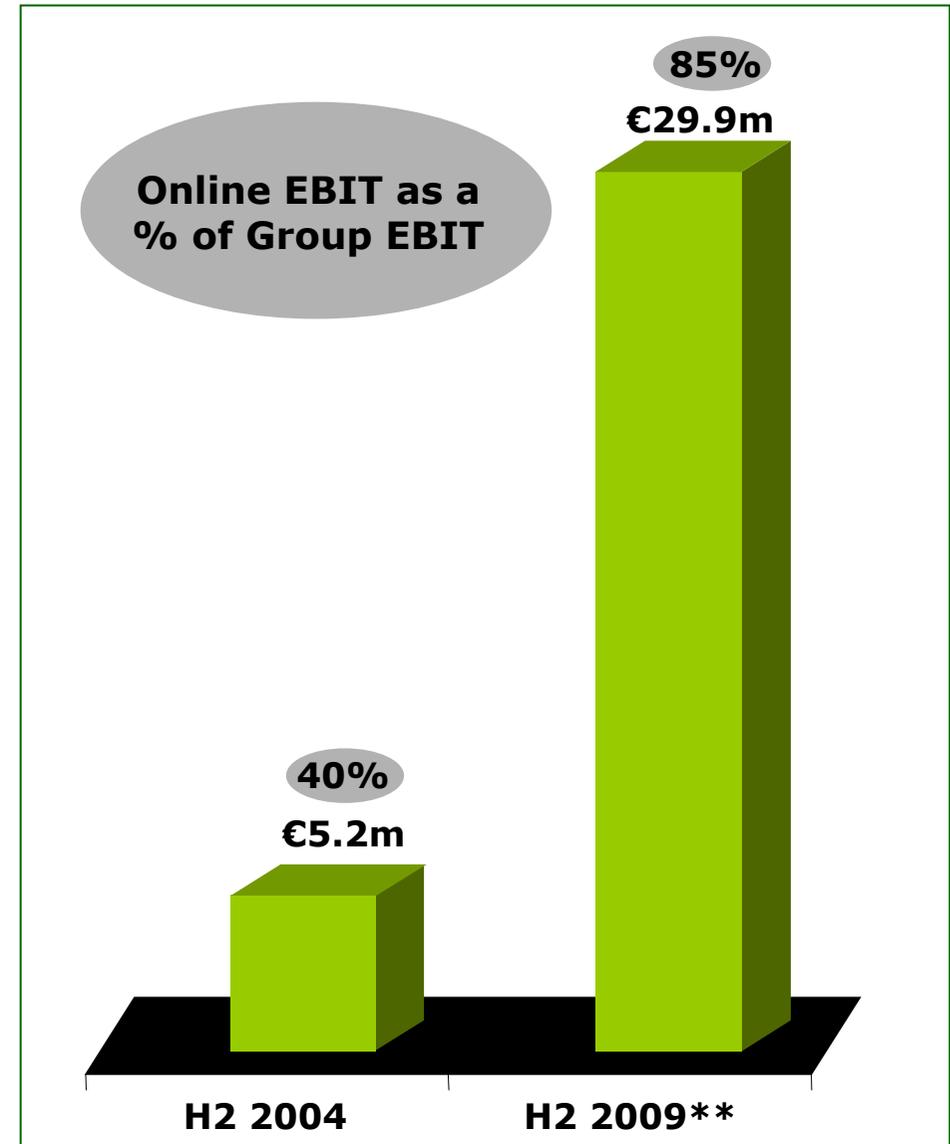
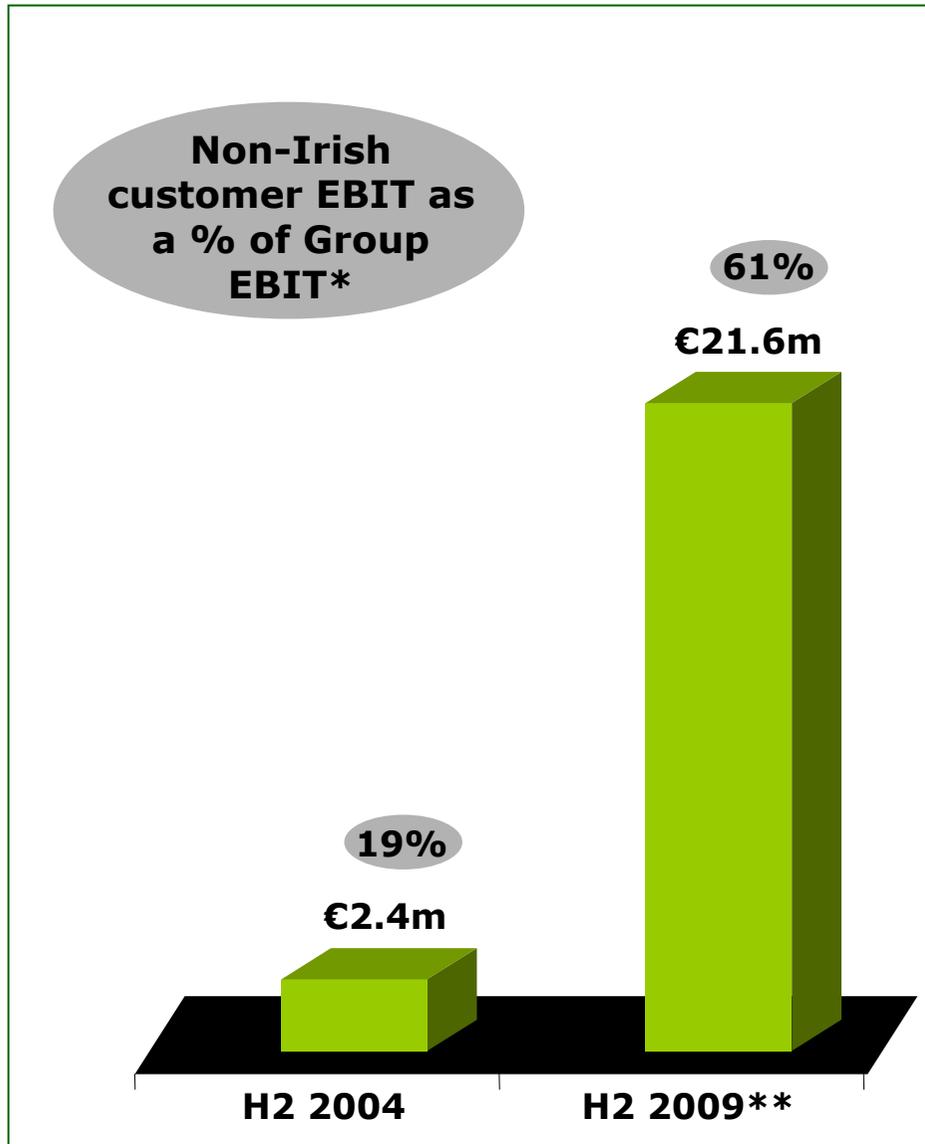
# Customers Notice The Difference

## Survey of Online Customers



(Source: TNS, Sept 2009)

# Increased International and Online Exposure



\*Online and telephone operating profit by geography based on average divisional profit margins

\*\* Pre once-off costs in Australia

# Outlook & Opportunities

**Focus on brand, product and value will continue to pay:**

## **Online (ex Aus)**

- Strong structural fundamentals driving online, majority of Group profits

## **Australia**

- Strong structural fundamentals
- Productivity Commission Report

## **Irish Retail**

- Irish Retail to emerge from downturn stronger and with increased share

## **UK Retail**

- Significant UK Retail opportunity given a market of almost 9,000 shops

## **New Businesses**

- Financial Spreadbetting
- B2B opportunities

**“Trading in the year to date has been satisfactory ...  
... the Board remains confident of the Group’s prospects ...”**