3 March 2015

Paddy Power plc

Preliminary Results Announcement for the year to 31 December 2014

EPS up 18% to 297.6 cent; Proposed €8 per share (€392m) cash return to shareholders

Group Highlights:

- Net revenue[1] of €882m, up 18%[2] with strong momentum in all Online and Retail top-line metrics;
- Record profit before tax, up 21% to €167m and diluted EPS up 18% to 297.6 cent;
- Dividend growth of 13% proposed for full year (152 cent per share) and final dividend (102 cent per share);
- An additional cash return of €8.00 per share (€392m) proposed from surplus cash and planned debt raising.

Online Highlights:

- Strong double digit percentage growth across all top-line metrics with new customer acquisition up 28%, actives up 24% and net revenue up 19% to €553m. Operating profit increased 21% to €126.6m:
  - Online (ex Australia): customer acquisition up 27%, active customers up 21%, sportsbook stakes up 20% and eGaming/B2B revenues up 17%. Operating profit growth of 4% to €75.3m, adversely impacted by unfavourable sports results and introduction of UK point of consumption tax in December;
  - Online Australia: online customer acquisition up 33%, active customers up 38% and amounts staked up 22%. Operating profit up 68% to €52.4m;
- Mobile net revenue accounted for a leading 55% of online revenue, with 77% of active sportsbook customers and 45% of active eGaming customers transacting via mobile in December;
- Italian net revenue increased by 85% or €7.9m but overall market growth remains slower than expected. We are undertaking a review of the opportunity which will allow us to position our business better for this market reality. This review will be completed in the coming months.

Retail Highlights:

- UK Retail operating profit up 50% to €21.2m. Like-for-like net revenue up 8%. We now operate 322 shops with 55 shops opened in 2014;
- Irish Retail operating profit up 15% to €15.6m. Like-for-like net revenue up 3%. We now operate 243 shops with a record 20 shops opened in 2014.

Andy McCue, Chief Executive, Paddy Power plc said:

"*2014 was an excellent year for Paddy Power with robust double digit growth in stakes, revenues and profits, and a marked increase in customer acquisition. We are strongly positioned in the key growth areas of online and mobile, whilst also benefitting from a differentiated and resilient retail presence. Our distinctive brands and deeply rooted marketing capability are core assets.*

As I look ahead, the pace of change in the sector and in the wider consumer environment is intensifying. We continually develop and adapt to anticipate the needs of customers and maintain an edge in the market. Time and again we see that product is the key factor in attracting and retaining customers. We have re-organised the business to significantly sharpen our focus on product differentiation and innovation, and to increase in-house development. This, combined with clear investment priorities, will pave the way for sustained performance and market leadership.

This year has started well, including a positive impact from recent euro depreciation."

ENDS

3 March 2015

Issued on behalf of Paddy Power plc by Finsbury

[1] *2013 UK Retail machine net revenue has been expressed on a consistent basis of taxation with 2014 in UK Retail and Group comparisons throughout this commentary*
[2] *Growth percentages (other than for EPS) throughout this commentary are in constant currency ('CC'), as compared to the equivalent period in the prior year, unless otherwise stated. The financial tables include both nominal and constant currency growth percentages.*

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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 480 100 from the UK, (01) 242 1074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 616 028.

A presentation replay facility will be available for 21 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 444 16277.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to update you on an excellent year for your Company.

The Group achieved record turnover of €7 billion and operating profit of €164m in 2014. Operating profit growth of €26m, or 19%, was achieved despite absorbing €11m from new taxes, increased product fees and currency translation. Sporting results also weren't good for us in 2014, although they did improve marginally relative to 2013 (much like Manchester United).

Earnings per share grew by 18% and the Board's proposed final dividend makes for a total 2014 regular dividend of €1.52 per share, an increase of 13% versus 2013. The Board is also proposing an additional cash return to shareholders of €8 per share.

€m	**2014**	**2013**	**% Change**	**% Change in CC**
Sportsbook amounts staked	7,003	6,014	+16%	+16%
Sportsbook gross win %[3]	*9.9%*	*9.7%*		
Sportsbook net revenue %[3]	*9.2%*	*9.3%*		
Net revenue	**881.6**	**746.0**	**+18%**	**+18%**
Gross profit	713.9	617.0	+16%	+16%
Operating costs	(550.1)	(479.6)	+15%	+14%
Operating profit	**163.8**	**137.4**	**+19%**	**+22%**
Profit before tax	166.6	141.0	+18%	+21%
EBITDA	211.8	176.9	+20%	+23%
EPS, diluted	**297.6 cent**	**252.0 cent**	**+18%**	**+21%**
Dividends	152.0 cent	135.0 cent	+13%	
Net cash at year end	**€285m**	**€229m**		

People

2014 marked the end of Patrick Kennedy's tenure as Chief Executive. During the decade he spent with the Group, Patrick transformed Paddy Power's scale and profitability, geographic footprint and business mix, whilst at the same time maintaining our unique culture, brand and customer focus. We are grateful for his contribution and wish him well for the future.

The Board undertook a comprehensive international recruitment process for Patrick's replacement, the outcome of which was the appointment of Andy McCue. In Andy, we have the right person to drive Paddy Power's next phase of growth. He has an outstanding track record in his eight years with the Group and has consistently demonstrated leadership across the business. We wish him every success in his new role.

Board

Gary McGann joined the Board as a non-executive director in November. Gary is Group Chief Executive Officer of Smurfit Kappa Group plc, and has previously served as CEO of both Aer Lingus and Gilbeys of Ireland. His depth of skills and experience will be of considerable value as Paddy Power continues to develop and grow.

Regulation

Regulatory engagement has been both substantial and encouraging over the last 18 months. This has led to a range of meaningful measures which will increase protection for those who may be at risk from gambling, whilst leaving others free to engage in an enjoyable leisure activity. The key developments included:

- *UK gaming machines:* We implemented the Association of British Bookmakers' Code for Responsible Gambling and Player Protection in March 2014, including additional measures to enable UK retail customers to set limits on the time and money spent on gaming machines from January 2015. The Department for Culture, Media & Sport published a paper on Gambling Protection and Controls in April. This included new mechanisms affecting players wishing to stake over £50 in a single play on gaming machines which will come into effect next month. In December, the Responsible Gambling Trust's research on gaming machines was released and the industry is reviewing its responsible gambling policies in light of the findings on the indicators of harmful activity.

- *UK retail:* We expect the UK Government to publish new planning laws this month which may require a greater number of new shops to apply for planning permission.

- *Senet Group*: This independent body was established in September by Paddy Power and other operators to promote responsible gambling standards and to ensure that the marketing of gambling is socially responsible. Measures introduced to

[3] *The sportsbook gross win % represents the percentage of stakes retained after payout of winnings, including promotional offers paid out in cash (Appendix 1 has detail by Division). The sportsbook net revenue % also deducts the cost of free bets for promotional and sign-up offers. For ease of reference/comparison, it excludes foreign exchange hedging gains/losses from net revenue and includes stakes from freebets within turnover.*

date include the elimination of the advertising of sign-up offers for new customers before the 9pm television watershed, changes to betting shop window promotions, and a national TV advertising campaign to help prevent problem gambling. Separately, the UK Government is expected to publish the results of its recent reviews into industry advertising shortly.

- *UK Remote Gambling:* The UK Gambling (Licensing and Advertising) Act 2014 came into force in November requiring all operators providing remote gambling services to UK consumers to be licensed. Paddy Power is licensed and our non-retail business is subject to the Licence Conditions and Codes of Practice of the UK Gambling Commission. The UK Government has also put in place voluntary arrangements with payment providers to block transactions with unlicensed operators.

- *Irish Betting Shop Evening Opening:* Following the enactment of the Finance Bill in January this year, Irish betting shops are now allowed to open after 6.30pm throughout the year.

Employment & Tax

Paddy Power provides high quality employment and makes a significant tax contribution in the countries in which we operate. We employed 5,012 people at the end of 2014 and paid total taxes and duties of €226m during the year.

	Employment 31 Dec 2014	% Change in 2014	Tax/Duty Paid 2014	% Change in 2014
Ireland	2,570	+10%	€84m	+17%
UK	1,707	+15%	€70m	+21%
Australia	560	+21%	€61m	+38%
Italy and Rest of World	175	+20%	€11m	+38%
Group	**5,012**	**+13%**	**€226m**	**+24%**

Financial Position, Capital Structure and Dividends

Net cash at the end of 2014 was €285m (including customer balances of €67m). This represents an increase of €56m compared to the previous year, notwithstanding substantial investment in our online businesses and retail estate. This growth in cash is also after a €7m increase to €69m in dividends paid to shareholders in 2014 and €23m returned to shareholders under our share buyback programme which we recommenced in August.

The efficiency of the Group's capital structure is kept under regular review by the Board. Relevant considerations include the Group's strong cashflow generation, its development pipeline and general capital market conditions. The Board believes the Group can increase efficiency, whilst remaining prudent and not compromising its growth, by moving from its current position of net cash to a position of net debt of approximately one times EBITDA at this time. This would enable the return of approximately €8.00 per share or €392m in aggregate to shareholders. The Board intends to structure this return via a B share type scheme, whereby shareholders can elect to sell or receive a dividend on newly issued shares, followed by a share consolidation. Shareholders will be asked to approve the return of capital and related matters at the Company's AGM in May and a circular will be distributed in April.

The Board is also proposing an increase in the final dividend of 13% to €1.02 per share. This would bring the total regular dividend in respect of 2014 to €74.5m, or €1.52 cent per share, representing an increase of 13% on 2013.

Outlook

The year has started well.

Sportsbook stakes are up 18% in Online and 8%, like-for-like, in Retail (during the period 1 January to 26 February in constant currency). Sports results have been broadly in line with our expectations, as compared with adverse results in the equivalent period last year.

Although we face well flagged new taxes and regulations this year, the recent depreciation of the euro since our last update, if sustained, would increase operating profits by approximately €5m in 2015.

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

Nigel Northridge
Chairman

2 March 2015

CHIEF EXECUTIVE'S STATEMENT

As Paddy Power's new Chief Executive, I am pleased to set out our future strategic direction to win in our markets and create value for shareholders.

Paddy Power is a fantastic business and is very strongly positioned. However, we recognise that our sector and the wider consumer environment are changing rapidly, and so to ensure our future success, we are continuing to adapt our business.

Our strategy comprises three key elements:

1. ***Product differentiation***
2. ***Distinctive brands and marketing capability***
3. ***Leadership in large, regulated markets***

These elements are underpinned by ***clear accountability and focused execution.***

We have also set in place priorities for future investment which emphasise:

- ***Online over retail***
- ***Mobile over desktop***
- ***Sports over gaming***
- ***Organic over acquisition***

Market Context

The global phenomenon of retail to online migration is driving growth in online betting and gaming, which is outpacing expansion in retail. Furthermore, in the UK sports and gaming markets in which we operate, over 90% of future industry growth will be in mobile, while in the Australian sports betting market all the foreseeable growth will be in mobile, with retail and desktop declining. Within UK online, sports betting remains the most popular product, with 56% of regular online gamblers betting only on sport versus 6% who only play gaming.

Given this market context, Paddy Power is exceptionally well positioned:

- ***Predominantly online:*** 77% of our operating profit was generated online last year.

- ***Leadership in mobile:*** We enjoy the highest exposure to smartphone and tablet betting across our markets with 55% of our online revenues coming from mobile last year, compared to an estimated average of 40% amongst our UK peers.

- ***Sportsbook led:*** Last year 73% of our revenue came from the large and robust sports betting market, which compared to gaming offers much greater potential for differentiation and has consumers that are cheaper to acquire and churn less.

- ***Geographic diversity:*** 52% of our operating profit was derived from UK customers last year, 29% from Australian customers and 19% from customers in Ireland and elsewhere (excluding Italy).

- ***Scale positions with growth potential:*** Within our main markets we have market leading positions and significant potential to continue to grow market share as activity flows towards the best and most efficient online operators.

- ***Sustainable revenues:*** Not only is there major upside potential in our online business, we also have more limited downside than others, given that our online profits are generated in legal and licensed markets.

- ***Disproportionate multichannel reach:*** Our leading retail capabilities and 'prime-pitch' locations mean our 565 shops generate sports betting turnover equivalent to 1,163 competitor units. Moreover, almost half the population of Great Britain lives within 5 miles of a Paddy Power shop.

- ***Sector leading retail profitability & resilience***: We have the highest profitability per shop in the industry: whilst our competitors have announced some 700 shop closures over the last 6 years, we have closed none.

Key Strategic Elements

Product Differentiation

Some 35% of consumers cite product features as the key factor in driving operator choice, whilst analysis of lost customers indicates that some 33% go elsewhere due to product reasons. From January, we have reorganised the business to focus on product. We appointed a Chief Product Officer, embraced a global approach to product development, and reappraised our priorities, which now are:

- ***Intuitive product focused on customer needs:*** Customers tell us that their primary purchase decisions are based around having a fast, easy and responsive betting and gaming experience, from registration through to bet settlement and withdrawal, supported by relevant content. We have identified enhancements to the customer journey to improve navigation, create spontaneous betting opportunities and cross-sell between sports and gaming. Furthermore, our products will become increasingly personalised to tailor to individual preferences.

- ***Product innovation:*** We see opportunities to develop original, compelling products which differentiate us from our competitors. Innovation will come via platform, bet, market and game types. Our industry leading Risk and Trading teams in Dublin and Melbourne can be further utilised to create new betting opportunities. We will also develop products for multichannel customers which will enable us to capture a higher share of their online spend.

- ***Increased in-house development:*** In recent years we have increased the proportion of development we control and build in-house, increasing our agility, pace and distinctiveness. We will accelerate this, for example, by building certain mobile products internally, by further investing in differentiated gaming software, and by uncoupling customer facing front-ends from third party suppliers. We will however, continue to cultivate key strategic partnerships where they help us operate at pace, or more efficiently by leveraging their scale, or for parts of the proposition which do not necessitate differentiation.

Distinctive brands and marketing capability

Our brands define us and our approach: we aim to engage and entertain in a way that is impossible to replicate.

We will concentrate our efforts on:

- ***Deepening the distinctiveness of our brands:*** Distinctive brand positions are critical to standing out in a crowded marketplace. We will launch new creative marketing campaigns for both *Paddy Power* and *Sportsbet* this year.

- ***Social engagement:*** Our brands have unique personalities which allow us to engage in rich, valuable, fun conversations. We will continue to push the boundaries of social engagement.

- ***Product and value:*** Our marketing will increasingly highlight new and original product features. We will also ensure customers see us as being competitive on value with distinctive, simple and relevant offers.

- ***Optimised and efficient brand investment:*** Last year we substantially increased our investment in TV advertising, generating strong returns, including 28% growth in online customer acquisition with no increase in total marketing costs per new customer acquired. We expect to maintain a leading share of voice in the UK and Australia, while continuing to advance our digital, social and mobile marketing capabilities, to ensure we retain our lead in marketing efficiency.

Leadership positions in large, regulated markets

Our market positions in the UK, Ireland and Australia offer us substantial opportunities for growth. Over the last three years, our net revenue in these markets has increased annually at an average of 22% in online and 17% in retail.

The Group also entered the Italian online market in May 2012. Whilst we have achieved meaningful sportsbook market share, overall market growth remains slower than expected. We are undertaking a review of the opportunity which will allow us to position our business better for this market reality. This review will be completed in the coming months.

We also continue to look globally for opportunities to enter new B2C markets.

In markets which we deem unfeasible for B2C entry, we seek to offer B2B services. We currently have B2B partnerships in France, Canada, and Slovakia. We expect to add further partners in the coming years, without distracting from our B2C activities.

Clear accountability, and focused execution

Paddy Power has a strong team. We can, however, deliver more by organising ourselves better and focusing on disciplined execution. We have changed our organisation structure to align with our strategy and to improve our efficiency. There are now three customer facing segments (Online Europe, Online Australia and Retail), and two centres of excellence (Product and Marketing) which deliver our strategic competitive advantages, supported by enabling central functions. For the first time we now have a global approach to product development, ensuring that in particular, sports product innovation and development is coordinated centrally. This will realise cost synergies, which, in turn, will afford greater product output.

We have demonstrated scaling in the past, with cost growth in central functions well below other areas. We have moderated the overall rate of headcount and operating cost growth relative to the prior year in both 2014 and 2013. We are employing a range of methods to achieve savings including locating more resources in lower cost locations. We see further opportunities for efficiency by improving our investment discipline and leveraging scale and geographic synergies, which will allow us, crucially, to continue to invest in product and brand.

Inevitably, innovative ideas won’t all work, and in this context, we have decided to discontinue our secondary products and brands, *Betdash*, *Paddy Power In-Play* (our Facebook betting product) and *Roller*.

Conclusion

As the industry changes, we will focus our substantial capabilities on those critical areas that will allow us to win.

The business remains centred on the key growth markets of online and mobile, whilst also maintaining a strong and resilient retail presence to address multi-channel and core retail customer demand. We have scale leadership positions and operate in large and regulated geographic markets, each of which offers scope for market and share growth.

We have evaluated the attractiveness of a number of possible acquisitions in recent years but we have yet to see any substantial opportunities that are as compelling as the organic strategy outlined here. We therefore believe that this is an opportune time to return a material amount of capital to our shareholders, whilst retaining the flexibility to respond to opportunities that may arise.

We can enhance our positioning via disciplined product and brand investment and we have a strong committed team in place to deliver.

I am delighted with the opportunities that lie ahead and I am confident in our ability to exploit them.

Andy McCue
Chief Executive

2 March 2015

OPERATING & FINANCIAL REVIEW

Introduction

Paddy Power is an international betting and gaming group. The Group focuses on the fast growing online betting market with 77% of Group operating profits generated online last year. In the UK and Ireland, the Group also operates retail shops which contributed 22% of operating profit in 2014.

Operating Profit by Division	2014		2013		% Change
	€m	% of Group	€m	% of Group	
Online (ex Australia)	75.3	46%	73.5	54%	+3%
Online Australia[4]	52.4	32%	33.5	24%	+56%
UK Retail	21.2	13%	13.9	10%	+53%
Irish Retail	15.6	9%	14.0	10%	+11%
Telephone	(0.7)	0%	2.5	2%	n/a
Group Operating Profit	**163.8**	**100%**	**137.4**	**100%**	**+19%**

Paddy Power currently operates in three main geographies: the UK, Australia and Ireland. In addition, the Group is in an early stage in Italy and has business-to-business partnerships in France, Canada and Slovakia.

Operating Profit by Geography[5]	2014		2013		% Change
	€m	% of Group	€m	% of Group	
UK	91.7	56%	83.3	61%	+10%
Australia	52.4	32%	33.5	24%	+56%
Ireland, Italy and Rest of World	19.8	12%	20.6	15%	(4%)
Group Operating Profit	**163.8**	**100%**	**137.4**	**100%**	**+19%**

Sports Results, Trading and Brand

Last year had more ups and downs than Taylor Swift's love life. We also learnt that not only can lightning strike in the same place twice, it can in fact strike three times, as it did in weeks, 2, 12, and 52, when practically every favourite in the main football leagues won. It was the betting equivalent of Billy Bob Thornton landing Angelina Jolie and resulted in bookmakers paying out gazillions on accumulators. It was going to take a lot to offset that and whilst we had a positive run in the second half, including a bonanza during the final stages of the World Cup, we didn't manage to fully overturn a heavy first half deficit. As a result, the Group's gross win percentage was some 0.3% below our expectations, which had a gross impact of approximately €24m before any customer recycling of winnings and related reductions in cost.

Still, you just gotta grin n' bear it. Some schadenfreude and fun - courtesy of David Moyes's disastrous record at Man United - helped. We put an encased wax-work of Sir Alex Ferguson outside Old Trafford with the instructions 'In case of emergency break glass'; positioned a 'grim reaper' behind Moyes at Goodison Park (which indeed proved his last match in charge); and, at the home of arch rivals Liverpool, erected a giant bronze statue of Moyes 'for services rendered'.

The new season brought new opportunities for engagement with fans. After losing their version of Hannibal Lecter to Barcelona, Liverpool signed up Mario Balotelli. It was a move that must rank up there with 'Don't worry, I think we can squeeze by this iceberg without a major incident', so much so that after Mario swapped his jersey at half-time in a 3-0 defeat to Real Madrid, we felt it only fair to set up a stall at Anfield so supporters could swap their Balotelli shirts. In November, we paid out early on Chelsea to win the Premier League. With Jose Mourinho's men eight points clear, it looked a rock solid move. Two weeks later, with City almost level, it looked like a business decision as wise as HSBC's Swiss banking forays.

We also did more campaigning to tackle homophobia in football. With vocal support across the football community, the Rainbow Laces campaign exploded on Twitter, organically trending worldwide and doubling its impressions as compared with 2013. Campaign awareness in the UK was 30% amongst the entire adult population and 45% amongst sports bettors. We even sent a batch of the laces to the Westboro Baptist Church, however they must prefer to use slip-on shoes because we haven't heard back.

Some mad and bad World Cup antics saw us welcome 148,000 new online customers over a four week period. Ahead of the tournament, we published a scientific study by our latest pundit, Professor Stephen Hawking, on what might happen. It didn't look good for England and they duly collapsed as fast as the Greek economy. We then caused outrage when appearing to have carved a huge message of support for England in the Amazon rainforest – by the time we set the record straight that it was a hoax, we'd got both Paddy Power and '#SaveTheRainforest' trending on Twitter with over 35 million impressions. Sportsbet weren't to be outdone – the flying of a 14 storey high 'Christ the Redeemer' balloon asking socceroo fans to '#Keepthefaith' made the news on all the national TV channels in Australia. Great value for punters was also part of the mix and we honestly thought we were being generous when we offered 100/1 on England to win the tournament.

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[4] *Online Australia also includes telephone operations accounting for less than 10% of its gross and operating profit*

[5] *Online and Telephone operating profit allocated by geography based on average divisional profit margins applied to net revenue*

We did our bit for European unity in September by getting notorious Eurosceptic and UKIP leader Nigel Farage to record a party political broadcast in support of ‘Team Europe’ - in the Ryder Cup at least. The stunt featured prominently across national newspaper and TV stations with ‘#SwingForEurope’ also trending on Twitter in the UK. It did the trick too, as the Americans slipped to their nation’s biggest international embarrassment since Sarah Palin’s vice presidential campaign.

Such distinctive activity makes our brands global leaders on ‘talkability’, consistently doing things that make the brand remarkable and different; that resonate with customers and make them much more engaged. As iGaming Business Social Monitor put it after analysing 10 million industry ‘mentions’ across the web last year, ‘Paddy Power is clearly playing in its own league with almost four times more mentions than any other brand in the industry’. This is a highly efficient way to attract and retain customers in a crowded market place where much traditional advertising does little to grab attention on its own. The approach is also difficult to replicate, with, for example, comments on social media regularly advising any attempted imitators to ‘stop trying to be Paddy Power’. Financially, it is a key reason why Paddy Power leads the industry in marketing efficiency, year after year, with marketing costs as a percentage of online net revenue at 21% in 2014, as compared with an average of 27% for our major quoted UK peers.

ONLINE

€m	**2014**	**2013**[6]	**% Change**	**% Change in CC**
Sportsbook amounts staked	4,644	3,854	+21%	+21%
Sportsbook net revenue	412.9	353.8	+17%	+20%
Sportsbook net revenue %	*8.9%*	*9.1%*		
Gaming & other net revenue	140.5	119.1	+18%	+17%
Total net revenue	**553.4**	**472.9**	**+17%**	**+19%**
Gross profit	446.5	389.4	+15%	+16%
Operating costs	(319.9)	(281.3)	+14%	+15%
Operating profit	**126.6**	**108.1**	**+17%**	**+21%**
% of Group operating profit	77%	79%		
Active customers[7]	**2,414,439**	**1,940,559**	**+24%**	

Our online scale continues to increase significantly, all via organic growth from legal, regulated markets. We had strong double digit growth percentage across all top-line metrics, growing new customer acquisition by 28%; active customers by 24%; sportsbook stakes by 21% and net revenue by 19%. Online operating profit was up 21% to €127m.

ONLINE (Excluding Australia)

€m	**2014**	**2013**	**% Change**	**% Change in CC**
Sportsbook amounts staked	2,763	2,218	+25%	+20%
Sportsbook net revenue	194.2	180.6	+7%	+7%
Sportsbook net revenue %	*7.0%*	*8.0%*		
Gaming & other net revenue	140.5	119.1	+18%	+17%
Total net revenue	**334.6**	**299.7**	**+12%**	**+11%**
Gross profit	280.7	258.6	+9%	+8%
Operating costs	(205.4)	(185.1)	+11%	+9%
Operating profit – total	**75.3**	**73.5**	**+3%**	**+4%**
Operating loss - paddypower.it	*(14.7)*	*(16.8)*	*n/a*	*n/a*
Operating profit - ex Aus, ex Italy	*90.0*	*90.3*	*(0%)*	*+1%*

Online (excluding Australia) includes the B2C businesses, *paddypower.com* and *paddypower.it,* and our B2B activities.

Operating profit grew last year by €2m or 4% to €75m, but was held back by a €3m headwind from the new UK point of consumption tax (‘POCT’) in December, as well as by adverse sports results, which had a negative gross impact of approximately €14m year-on-year. Underlying growth was strong with new customers acquired up 27%, active customers up 21%, sportsbook amounts staked up 20% and eGaming/B2B net revenue up 17%.

Online (Ex Aus) Active Customers	**2014**	**2013**	**% Change**
UK	1,434,335	1,157,694	+24%
Ireland and Rest of World	405,318	366,295	+11%
Total	**1,839,653**	**1,523,989**	**+21%**

Online (Ex Aus) Customers Product Usage	**2014**	**2013**	**% Change**
Sportsbook only	1,238,619	954,537	+30%
Gaming only	157,988	167,404	(6%)
Multi product customers	443,046	402,048	+10%
Total	**1,839,653**	**1,523,989**	**+21%**

[6] Some Online activity has been reclassified in 2014 from Gaming to Sportsbook to better reflect the nature of the bets; All 2013 amounts (revenue €6.2m) have been restated on a consistent basis. The impact on year-on-year growth rates is immaterial.
[7] Active customers throughout this statement are defined as those who have deposited real money and bet in the year, excluding indirect B2B customers.

paddypower.com

Our UK and Irish business, *paddypower.com*, rebounded strongly in 2014 as we addressed the increased competition that arose from late 2013, with operators jockeying to gain scale and momentum ahead of POCT. In sportsbook, growth of 39% in new customer acquisition, 26% in active customers and 18% in stakes compared to growth rates of 10%, 13% and 10% respectively in 2013. eGaming and other net revenue growth at 15% also accelerated, as compared with 13% in 2013.

We are pleased with the impact of our increased investment in TV advertising share of voice, which maximised the value of our distinctive brand and online marketing, and worked well in tandem with new product releases and targeted value for customers. We will be maintaining a heavy focus on these areas to achieve further improvements and profitable growth.

Operating profit as a percentage of net revenue was 28.4%, notwithstanding the impact of unfavourable sports results, POCT tax in December and increased marketing/customer acquisition spend to drive future growth. This remains amongst the highest in our sector, leaving us well positioned, with strong execution of our strategy, to take share from weaker operators in a new POCT environment.

paddypower.it

Our Italian online business, *paddypower.it*, made further progress last year. Net revenue increased by 85% or €7.9m, with cost of sales as a percentage of net revenue falling 17% and operating cost growth slowing to 14%. The strength of our overall proposition resulted in our winning of a number of awards including being voted 'best online bookmaker in Italy' by the prestigious Instituto Qualita Tedesco Finanza.

Key to this progress has been product expansion. We expanded our eGaming offer with the launch of Poker, the 'PP Vegas' mobile casino and Bingo. We were also once again first-to-market with further new in-play betting markets which were allowed during the summer under the Palinsesto Supplementare. As a result, our market share of stakes reached 13% in June/July. Due in part to less Palinsesto Supplementare sports events in recent months, our share of turnover has fallen back, although absolute turnover remains up year-on-year and our share of sportsbook gross win has been more resilient[8].

While the Palinsesto Supplementare has added turnover to the market, such in-play turnover is at a lower gross win percentage resulting in only modest growth in market gross win, and even less growth in gross profit, given the turnover based tax regime in Italy. Regulated online gambling market gross win fell 2% in 2014[8] and, excluding the World Cup period, there were 5% fewer online bettors active in the market each month as compared with 2013[9].

Whilst we have achieved meaningful sportsbook market share, overall market growth remains slower than was expected. We are undertaking a review of the opportunity which will allow us to position our business better for this market reality. This review will be completed in the coming months.

(A) Online Sportsbook

Amounts staked on sportsbook increased by 20% to €2.8 billion. Within this, bet volumes grew by 28% to 196m, while the average stake per bet decreased by 6% to €14.06. Net revenue was up 7%. Mobile turnover grew 38% to €1.6 billion, with 75% of sportsbook customers transacting with us via mobile in December, generating 61% of sportsbook stakes (betting with your mobile is now not far behind using it for setting up one night stands on Tinder!).

We increased our TV advertising share of voice by 5% to 15% last year, using the additional spend in particular to showcase new offers and product developments. These adjustments were particularly targeted at football and drove a significant acceleration in *paddypower.com*'s football growth. Excluding June and July (which were boosted by the World Cup), football customer acquisition was up 31%, actives up 18% and stakes up 16%, relative to 1%, -1% and 3% respectively in the second half of 2013. Including the World Cup, football customer acquisition was up 86%, actives up 40% and stakes up 30%. We remain relatively under-penetrated in football which remains a significant opportunity for us. We continue to perform strongly in racing with turnover up 19% last year.

Key product developments last year included significant betting-in-running enhancements both in horse racing, with streaming pictures integrated into the betting racecard, and in football, with new in-play pages across all platforms giving customers in game stats and a visualisation panel of key events in the game. We also extended 'cash-out' to accumulator bets during 2014, with each-way bets added last month. Product development occurred across a range of customer functionality with, for example, enhanced 'customer account' pages, withdrawals/deposits and I.D. verification. Product development will accelerate this year in line with our strategy.

Eye-catching value for customers was of course also delivered, in tandem with increasingly meticulous scrutiny to ensure our price/offer proposition delivers by being simple and relevant, targeted, and strongly and consistently articulated. The 20% bonus on winning football accumulator bets that we introduced last year is a typical example, with strong communication including on TV, on #PPValue and via direct notifications of the extra winnings to customers.

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[8] *These market share and market trends are expressed on a like-for-like basis excluding the impact of a large unregulated business which transferred into the regulated market during September.*
[9] *Source: Latest available data from Osservatori, Politecnico di Milano to September 2014.*

(B) Online Gaming & B2B

Gaming and other revenue increased by 17% to €140m driven by growth in Casino, Games, Bingo and B2B, offsetting a reduction in Poker. eGaming active customer growth of 6% was lower than net revenue growth, as the Group discontinued some acquisition of low yield players. Whilst this contributed to revenue per active customer increasing by 10%, it remains low relative to industry peers and is an area of opportunity that we are addressing.

Product has been key to this strong performance and mobile product in particular where we have a leading position. We released over a dozen apps last year across various eGaming products and mobile platforms, incorporating the latest tracking, push notification and single-sign-on functionality. Mobile net revenue increased by 58% to represent an industry-leading 40% of total online gaming in 2014. In December, 45% of eGaming customers transacted via mobile devices.

Our games development base in Bulgaria continues to be central to product innovation. New exclusive proprietary content included Money-Back Roulette (get a 50:50 shot at money back if the ball lands on zero), Cash-Out BlackJack (during any hand if cards not going your way) and Santa's Spins (which beat every game ever launched on the site for month one revenue). We released 21 unique proprietary titles, with multiple versions for different platforms. Proprietary content accounted for 38% of Games net revenue in December. The team also continue to innovate more broadly, for example developing a games recommendation engine to assist customers find games they'll like based on their previous play history.

We are applying the same rigour to optimise our eGaming offers, as on sports. Promotions like our World Cup '501K Giveaway' and Christmas '251K Festive Frenzy' showcase our goal of great, transparent and attainable offers which also utilise our scale.

Given the strong development of our proposition, we have also been increasing our TV advertising share of voice, addressing a relative unfamiliarity with Paddy Power eGaming relative to awareness of our sportsbook. This is being helped by some operators in this relatively fragmented market reducing their marketing spend, presumably in the face of POCT and other challenges. We believe this market context, ongoing improvement in our eGaming offer, and Paddy Power's historic under penetration in eGaming, gives us an excellent opportunity to continue to achieve above-market growth in eGaming.

ONLINE AUSTRALIA - *sportsbet.com.au*

€m	**2014**	**2013**	**% Change**	**% Change in CC**
Online sportsbook amounts staked	**1,881**	**1,636**	**+15%**	**+22%**
Total sportsbook amounts staked	2,056	1,914	+7%	+14%
Net revenue	**226.9**	**179.6**	**+26%**	**+34%**
Sportsbook net revenue %	*11.0%*	*9.4%*		
Gross profit	171.3	135.1	+27%	+35%
Operating costs	(118.9)	(101.6)	+17%	+24%
Operating profit	**52.4**	**33.5**	**+56%**	**+68%**
Online active customers	574,786	416,570	+38%	

In Australia, our track record of strong momentum and increasing market share feels like it's going nearly as long as *Neighbours*. Net revenue was up 34% and operating profit was up 68% last year, notwithstanding higher product fees. While competition increased, our online growth accelerated, with customer acquisition up 33%, active customers up 38% and net revenue 34% higher.

Mobile turnover increased by 66% to €994m or 53% of online stakes, with 82% of our online customers transacting with us via mobile in December. Whilst betting-in-running continues to be prohibited online and therefore grows strongly on telephone, a reduction in lower margin phone turnover resulted in overall telephone stakes being down 32%, although net revenue was up 39%.

Product differentiation is central to this success. Last year, we upgraded our full mobile product suite (covering all the major devices and operating systems) with in-house developed technology, extending our lead as the brand consumers rate as 'number one for mobile'. Our new Cash Card enables customers to seamlessly withdraw cash from their online account at any ATM, and this product is showcased in our current brand campaign. We are also currently rolling-out a further extension to our betting markets, adding to what is already the widest selection in Australia. The global integration of our Risk & Trading function, together with favourable changes in business mix, is also yielding the highest gross win percentage amongst fixed odds bookmakers, notwithstanding the value we offer consumers.

Our brand position in Australia also continues to go from strength to strength. Sportsbet has the same distinctive brand personality as Paddy Power, and in a relatively uniform brand landscape, is ranked the clear number one for being 'fun', 'entertaining', 'modern' and 'innovative', as well as for 'value for money' and 'offers'. This brand positioning of course translates perfectly to social media where Sportsbet's share of engagements within the betting category is 70% on Facebook and 56% on Twitter. This approach has helped drive Sportsbet spontaneous brand awareness markedly ahead of all other corporate bookmakers for some years, and in the second half of last year, we moved to number one in the market overall, overtaking the TAB despite the awareness it gains from some 2,800 retail outlets.

From the second half of last year, racing bodies in Victoria, Western Australia, Queensland and South Australia levied increased product fees on bookmakers with a full year gross impact of approximately €8m (AUD11m) at 2014 levels of business. While further increases in racing or sports product fees may arise, Sportsbet is in a much stronger position to absorb them than many competitors given our scale, profitability and higher gross win percentage, as demonstrated by last year's performance.

RETAIL

Retail is a growth business for Paddy Power, driven by both increasing profitability in our existing shops and attractive opportunities to expand our estate. Over the last three years, retail net revenue has grown annually by an average of 17% including new shops, or 5% on a like-for-like basis. This resulted in record retail operating profits last year, up 33% to €37m, despite the gross win percentage being below our normal expectations.

Product innovation has been at the heart of this strong performance. Betting options have been expanded with more virtual and international horse racing content, more football coupons and more Self Service Betting Terminals (SSBTs) per shop. Our SSBTs now also have more cricket and golf markets, together with new pitch visualisation graphics for the core football product. For machine gaming in the UK, we offer the widest selection of games and continue to benefit from being the first-to-market with Inspired’s new Eclipse cabinets (available across our entire estate since December 2013). For multi-channel customers, we completed the integration of our Cash Card with all three retail products (over-the-counter betting, SSBT and gaming machines) in May. This makes the Card the broadest such facility in the market, allowing customers to deposit or withdraw cash from their online account, as well as check balances and play any machine with online funds.

We are also currently developing, testing and gradually rolling out (subject to continued strong returns) further innovations around new shop formats, next generation TV displays and new betting products.

From a value perspective, we offer substantially the same prices in retail as we do online and our marketing campaigns of key special offers are consistent between the two channels. This represents a more sustainable retail proposition and pays back for Paddy Power in higher turnover, revenue and profits per shop.

The strength of our retail offer, alongside our relatively under-represented position in the UK, led to a record 75 new shops last year taking the total estate to 564 units. New openings are generating strong returns; the 186 mature shops we opened in the five years pre 2013 generated average EBITDA of €174,000 last year, or 53% on their average capital cost of €329,000. Since then we have opened a further 143 units which will drive further profit growth as they mature.

As increases in tax and machine regulation were announced in the UK, we increased the required activity levels for new shops. Nonetheless, we continue to anticipate opening some 30 shops this year in the UK, assuming the implementation of proposed new planning laws is not more limiting than currently expected.

UK RETAIL

€m	**2014**	**2013**	**% Change**	**% Change in CC**
Sportsbook amounts staked	710	552	+29%	+22%
Sportsbook net revenue	80.5	64.0	+26%	+20%
Sportsbook net revenue %	*11.4%*	*11.5%*		
Machine gaming net revenue	93.5	64.3	+45%	+39%
Total net revenue	**173.9**	**128.3**	**+36%**	**+30%**
Gross profit	129.5	96.1	+35%	+29%
Operating costs	(108.3)	(82.2)	+32%	+26%
Operating profit	**21.2**	**13.9**	**+53%**	**+50%**
Shops at year end	321	266	+21%	

UK Retail operating profit increased by €7.1m or 50% in constant currency. This performance was driven by 38% higher profits from the like-for-like estate which achieved net revenue growth of 8% and strong operational leverage.

Sportsbook stakes grew 22% to €710m, while total net revenue increased by 30% to €174m. Like-for-like net revenue growth of 8% comprised growth of 4% in sportsbook and 13% in machine gaming. Like-for-like average gross win per machine per week increased by 12% to £1,320. We had 1,279 gaming machines installed at the end of 2014, an increase of 220 compared to the previous year, entirely as a result of new shops. Like-for-like sportsbook stakes increased 5%, comprised of bet volume growth of 4% and an average sportsbook stake per bet up 2% to €16.35.

Operating costs grew 26% driven by a 27% increase in average shop numbers. Like-for-like operating costs grew 3%, reflecting good cost discipline and scaling of central UK head office costs.

We opened 55 new shops last year, including eight which we acquired, at an average capital cost per unit of €367,000 (£295,000) including lease premia and the costs of acquisition and refit for acquired units. The average cost per unit for organic openings was €334,000 (£268,000). EBITDA per shop pre central costs, for mature shops opened pre 2013, averaged €190,000 (£154,000), 2% higher than the comparable group of shops in the prior year.

IRISH RETAIL

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	1,093	981	+11%	+11%
Net revenue	**126.6**	**115.6**	**+9%**	**+9%**
Sportsbook net revenue %	*11.6%*	*11.8%*		
Gross profit	113.6	104.7	+8%	+8%
Operating costs	(98.0)	(90.7)	+8%	+7%
Operating profit	**15.6**	**14.0**	**+11%**	**+15%**
Shops at year end	243	223	+9%	

Irish Retail stakes exceeded €1 billion for the first time last year and operating profit increased by €2.1m or 15% in constant currency, driven by new shop openings.

Like-for-like amounts staked increased by 5% helped by more than doubling the average SSBT terminals installed, the roll-out of contactless debit card terminals and additional morning opening hours, plus improved economic conditions. Like-for-like net revenue increased 3% and operating costs by 2%. Average stake per bet was down 3% to €13.83.

A record 20 new shops were opened last year, including 17 acquired. The average capital cost per unit was €537,000 (including the costs of acquisition and refit for acquired units) and they generated average annualised EBITDA of €104,000 last year, a 19% return notwithstanding their relative immaturity.

TELEPHONE

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	380	348	+9%	+5%
Net revenue	**19.5**	**22.6**	**(14%)**	**(15%)**
Sportsbook net revenue %	*5.2%*	*6.3%*		
Gross profit	18.9	22.4	(16%)	(17%)
Operating costs	(19.5)	(19.9)	(2%)	(4%)
Operating (loss) / profit	**(0.7)**	**2.5**	**n/a**	**n/a**
Active customers	76,066	71,040	+7%	

Our telephone channel which includes betting via the phone, text and the exclusive PP Messenger App continues to perform well relative to its competitors, with 5% stakes growth consolidating its leading position in the combined UK and Irish markets. This growth was driven by active customers increasing 7%, and increased bet volumes, up 10%, partially offset by a 4% decrease in the average stake per bet.

Adverse sports results led to a 15% decrease in net revenue, with the gross win percentage below both our normal expectations and the favourable percentage achieved in 2013. This led to a €0.7m operating loss, despite a 4% reduction in operating costs. While the channel faces higher betting taxes this year, we expect it to continue to make an on-going positive contribution to the Group, given, for example, phone registered customers spend a similar amount with us online as on the telephone channel.

Taxation

The effective corporation tax rate was 13.0%, as compared to a rate of 12.7% in 2013.

The UK licensing and taxation regime on remote gambling changed to a point of consumption basis from December at a rate of 15% of eGaming net revenue and 15% of sportsbook gross win. If the tax had been in place throughout 2014, the cost to the Group would have been €44m. We are achieving some mitigation of this gross impact through more efficient free bet activity and lower supplier revenue share costs, with the possibility of further mitigation through marketing media deflation over time. There is also potential profit mitigation from 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.

Within UK Retail, Machine Gaming Duty has increased from 20% to 25% of net revenue with effect from this month. If the change had been in place throughout 2014, the net cost to the Group would have been €4m.

In Ireland, we expect the 1% tax on retail stakes to be extended to Irish online and phone customers this year, once administrative arrangements are in place. Such a tax would have cost the Group €8m in 2014. Following EU VAT changes effective in 2015, additional Irish VAT is now incurred on eGaming activity with Irish customers. If the changes had been in effect throughout 2014, the net reduction in operating profit would have been €2m.

The UK Government is conducting a further consultation on possible reform of the existing horseracing betting levy or its replacement with a statutory horseracing 'betting right'. Changes might result in charges being extended to bookmakers based outside the UK, possibly covering both their business with UK and non-UK based customers. We continue to reject the implication that racing needs additional funding. The UK racing industry has never been wealthier and the total financial contribution to racing from the betting industry has been rising rapidly due to increased media rights payments and streaming costs. If new measures are pursued, they are not expected to come into effect until 2017 at the earliest.

Cashflows

Profits at Paddy Power convert strongly into cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capital expenditure of €18m) was €193m or 133% of profit after tax in 2014. Estimated enhancement capital expenditure of €49m mainly related to new shop openings and technology spending for product enhancement and expansion.

Foreign Exchange Risk

Sterling and Australian Dollar denominated operating profits were approximately £142m and AUD94m 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 just over half its expected 2015 Sterling denominated operating profit for settlement at an average rate of 0.80.

Based on the above foreign currency profile, the change in the value of the euro against Sterling and the Australian dollar since the Group's November trading update, if sustained, would increase operating profits by approximately €5m in 2015, and more than double that amount in subsequent years which are unhedged.

Andy McCue
Chief Executive

Cormac McCarthy
Chief Financial Officer

2 March 2015

Appendix 1: Supplementary Disclosures

€'m	Group		Online (ex Australia)		Online Australia(iv)		UK Retail		Irish Retail		Telephone	
	2014	**YoY % Change in CC (v)**	**2014**	**YoY % Change in CC**	**2014**	**YoY % Change in CC**	**2014**	**YoY % Change in CC (v)**	**2014**	**YoY % Change in CC**	**2014**	**YoY % Change in CC**
Sportsbook:												
Amounts staked(i)	7,003	+16%	2,763	+20%	2,056	+14%	710	+22%	1,093	+11%	380	+5%
Gross win	693.1	+18%	225.4	+12%	236.1	+34%	81.7	+21%	128.1	+10%	21.8	(14%)
Customer promotions & bonuses	(42.5)	+63%	(28.9)	+78%	(9.2)	+36%	(0.9)	+45%	(1.5)	+364%	(2.0)	(9%)
Foreign exchange hedging loss(ii)	(2.9)		(2.3)		-		(0.3)		-		(0.3)	
Net revenue(iii)	647.7	+16%	194.2	+7%	226.9	+34%	80.5	+20%	126.6	+9%	19.5	(15%)
Gross win %	*9.9%*	*+0.2%*	*8.2%*	*(0.6%)*	*11.5%*	*+1.7%*	*11.5%*	*(0.2%)*	*11.7%*	*(0.1%)*	*5.7%*	*(1.3%)*
Net revenue %(vi)	*9.2%*	*(0.0%)*	*7.0%*	*(1.0%)*	*11.0%*	*+1.7%*	*11.4%*	*(0.2%)*	*11.6%*	*(0.2%)*	*5.2%*	*(1.2%)*
Gaming and other net revenue(iii)	233.9	+25%	140.5	+17%	-	-	93.5	+39%	-	-	-	-
Total net revenue(iii)	881.6	+18%	334.6	+11%	226.9	+34%	173.9	+30%	126.6	+9%	19.5	(15%)
Cost of sales	167.7	+31%	54.0	+27%	55.6	+33%	44.4	+35%	13.1	+19%	0.7	+218%
- % of net revenue	*19.0%*	*+1.8%*	*16.1%*	*+2.4%*	*24.5%*	*(0.3%)*	*25.6%*	*+1.1%*	*10.3%*	*+0.8%*	*3.5%*	*+2.6%*
Operating Costs	550.1	+14%	205.4	+9%	118.9	+24%						
Depreciation & amortisation	48.0	+23%	18.1	+21%	8.7	+19%						
Marketing opex	100.9	+32%	57.6	+29%	32.3	+46%						
Other costs	401.2	+10%	129.6	+1%	77.9	+17%						
Online active customers (000's)(vii)	2,414	+24%	1,840	+21%	575	+38%						
Online new customers (000's)(viii)	1,275	+28%		+27%		+33%						
Total online marketing costs(ix)	116.0	+29%										
- % of online net revenue	*21%*	*+2%*										
- Per new customer acquired (€)	*93.8*	*+0%*										
Mobile % of online total:												
Sportsbook amounts staked	*56%*	*+10%*										
Gaming net revenue	*40%*	*+9%*										
Total online net revenue	*55%*	*+10%*										
LFL gross win per machine per week	£1,320	+12%										
Average effective FX Rates	**2014**	**2013**	**H1'14**	**H1'13**	**H2'14**	**H2'13**						
- €:GBP, with hedging	0.830	0.821	0.845	0.814	0.820	0.833						
- €:AUD	1.465	1.396	1.495	1.312	1.445	1.470						

(i) Sportsbook amounts staked represents amounts received in respect of bets placed on sporting and other events that occurred during the year, including via SSBTs. This does not include income from gaming and business-to-business activities.

(ii) In line with our revenue accounting policy and IFRS we record all foreign exchange hedging gains / losses in our net revenue. Amounts staked, gross win, cost of sales and operating costs are all converted at spot rates.

(iii) Net revenue ('Income') represents the net gain on betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at year end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games and business-to-business services. The costs of customer promotions and bonuses are deducted when arriving at net revenue.

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

(v) To achieve comparability between years following the replacement of the VAT and Amusement Machine License Duty regime with Machine Gaming Duty ('MGD') from February 2013, January 2013 amounts in UK Retail have been restated. VAT costs which were previously recorded as a deduction when arriving at amounts staked and net revenue are now included within cost of sales, consistent with where MGD is expensd. This restatement has no impact on gross and operating profits.

(vi) For ease of reference/comparison, a sportsbook net revenue % is calculated including the cost of all cash and free bet offers (calculated excluding foreign exchange hedging gains/losses from net revenue and including stakes from freebets within turnover).

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

(viii) New customers are defined as those who have deposited real money and have bet for the first time in the year.

(ix) Total online marketing costs includes all marketing costs within operating costs and affiliate commissions and other marketing related costs reported within cost of sales.

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Sportsbook amounts staked		**7,003,252**	6,013,923
Continuing operations			
Income	3	**881,640**	745,195
Direct betting costs	4	**(167,746)**	(128,243)
Gross profit		**713,894**	616,952
Employee expenses		**(257,286)**	(228,721)
Property expenses		**(58,410)**	(48,362)
Marketing expenses		**(100,892)**	(76,145)
Technology and communications expenses		**(48,594)**	(42,534)
Depreciation and amortisation		**(48,015)**	(39,468)
Other expenses, net		**(36,891)**	(44,336)
Total operating expenses		**(550,088)**	(479,566)
Operating profit		**163,806**	137,386
Financial income	5	**2,925**	3,825
Financial expense	5	**(166)**	(181)
Profit before tax		**166,565**	141,030
Income tax expense	6	**(21,656)**	(17,846)
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Earnings per share			
Basic	7	**€3.011**	€2.567
Diluted	7	**€2.976**	€2.520

Notes 1 to 18 on pages 22 to 33 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	Note	**2014 €'000**	2013 €'000
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	5	**(6,313)**	2,706
Fair value of foreign exchange cash flow hedges transferred to income statement	5	**5,144**	(4,688)
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	5	**7,628**	(21,774)
Deferred tax on fair value of cash flow hedges		**147**	248
Other comprehensive income / (expense)		**6,606**	(23,508)
Total comprehensive income for the year – all attributable to equity holders of the Company		**151,515**	99,676

Notes 1 to 18 on pages 22 to 33 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	**31 December 2014 €'000**	31 December 2013 €'000
Assets			
Property, plant and equipment		**126,711**	116,216
Intangible assets		**76,391**	69,185
Goodwill	8	**102,838**	92,554
Financial assets – restricted cash	11	**-**	993
Deferred tax assets		**8,246**	8,002
Trade and other receivables	10	**1,972**	2,903
Total non-current assets		**316,158**	289,853
Trade and other receivables	10	**32,410**	29,262
Financial assets – restricted cash	11	**39,213**	52,806
Financial assets – deposits	11	**19,258**	13,686
Cash and cash equivalents	11	**226,513**	161,359
Total current assets		**317,394**	257,113
Total assets		**633,552**	546,966
Equity			
Issued share capital	12	**5,110**	5,098
Share premium		**44,969**	41,646
Treasury shares		**(57,502)**	(34,177)
Shares held by long term incentive plan trust		**(61,454)**	(71,736)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**34,849**	23,406
Retained earnings		**421,009**	346,765
Total equity attributable to equity holders of the Company		**386,981**	311,002
Liabilities			
Trade and other payables	14	**201,419**	180,973
Derivative financial liabilities	14	**16,981**	17,048
Provisions		**497**	515
Current tax payable		**17,377**	20,462
Total current liabilities		**236,274**	218,998
Trade and other payables	14	**5,821**	12,289
Derivative financial liabilities	14	**128**	270
Provisions		**1,174**	1,115
Deferred tax liabilities		**3,174**	3,292
Total non-current liabilities		**10,297**	16,966
Total liabilities		**246,571**	235,964
Total equity and liabilities		**633,552**	546,966

Notes 1 to 18 on pages 22 to 33 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	Note	**2014 €'000**	2013 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Income tax expense		**21,656**	17,846
Financial income		**(2,925)**	(3,825)
Financial expense		**166**	181
Depreciation and amortisation		**48,015**	39,468
Employee equity-settled share-based payments expense		**17,229**	17,671
Foreign currency exchange (gain) / loss		**(1,480)**	529
Loss on disposal of property, plant and equipment and intangible assets		**79**	68
Cash from operations before changes in working capital		**227,649**	195,122
Increase in trade and other receivables		**(91)**	(3,317)
Increase in trade and other payables and provisions		**13,087**	8,096
Cash generated from operations		**240,645**	199,901
Income taxes paid		**(25,552)**	(17,015)
Net cash from operating activities		**215,093**	182,886
Purchase of property, plant and equipment		**(38,662)**	(34,821)
Purchase of intangible assets		**(28,206)**	(22,625)
Purchase of businesses, net of cash acquired	9	**(6,432)**	(6,594)
Payment of contingent deferred consideration	9	**(5,386)**	(3,072)
Proceeds from disposal of property, plant and equipment and intangible assets		**25**	74
Transfers (to) / from financial assets – deposits		**(5,112)**	27,985
Interest received		**2,869**	3,173
Net cash used in investing activities		**(80,904)**	(35,880)
Proceeds from the issue of new shares		**3,335**	1,621
Purchase of shares by long term incentive plan trust		**(3,883)**	(24,220)
Purchase of own shares including direct purchase related costs		**(23,605)**	-
Dividends paid	13	**(68,991)**	(61,907)
Movements in current and non-current restricted cash balances		**17,008**	(15,452)
Interest paid		**(284)**	(286)
Net cash used in financing activities		**(76,420)**	(100,244)
Net increase in cash and cash equivalents		**57,769**	46,762
Cash and cash equivalents at start of year		**161,359**	129,004
Foreign currency exchange gain / (loss) on cash and cash equivalents		**7,385**	(14,407)
Cash and cash equivalents at end of year	11	**226,513**	161,359

Notes 1 to 18 on pages 22 to 33 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	Attributable to equity holders of the Company (see Note 12)										
	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 2014	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	144,909	144,909
Foreign exchange translation	-	-	-	7,628	-	-	-	-	-	-	7,628
Net change in fair value of cash flow hedge reserve (Note 5)	-	-	-	-	(1,169)	-	-	-	-	-	(1,169)
Deferred tax on cash flow hedges	-	-	-	-	147	-	-	-	-	-	147
Total comprehensive income / (expense) for the year	-	-	-	7,628	(1,022)	-	-	-	-	144,909	151,515
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 12)	*127,615*	12	3,323	-	-	-	-	-	-	-	3,335
Own shares acquired by the long term incentive plan trust 70,400 ordinary shares (Note 12)	-	-	-	-	-	-	-	(3,883)	-	-	(3,883)
Own shares acquired by the Group – 450,000 ordinary shares (Note 12)	-	-	-	-	-	-	(23,325)	-	-	(280)	(23,605)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	17,229	-	17,229
Equity-settled transactions – vestings (Note 12)	-	-	-	-	-	-	-	14,165	(11,546)	(2,010)	609
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	(230)	(230)
Transfer to retained earnings on exercise of share options (Note 12)	-	-	-	-	-	-	-	-	(846)	846	-
Dividends to shareholders (Note 13)	-	-	-	-	-	-	-	-	-	(68,991)	(68,991)
Total contributions by and distributions to owners of the Company	*127,615*	12	3,323	-	-	-	(23,325)	10,282	4,837	(70,665)	(75,536)
Balance at 31 December 2014	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2014

	Attributable to equity holders of the Company (see Note 12)										
	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 12)	*126,237*	13	1,608	-	-	-	-	-	-	-	1,621
Own shares acquired by the long term incentive plan trust – 380,000 ordinary shares (Note 12)	-	-	-	-	-	-	-	(24,220)	-	-	(24,220)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	17,671	-	17,671
Equity-settled transactions – vestings (Note 12)	-	-	-	-	-	-	-	8,675	(8,651)	246	270
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	235	235
Transfer to retained earnings on exercise of share options (Note 12)	-	-	-	-	-	-	-	-	(699)	699	-
Dividends to shareholders (Note 13)	-	-	-	-	-	-	-	-	-	(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

Notes 1 to 18 on pages 22 to 33 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

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' and 'sportsbet.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' and 'rollercasino.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 2014, 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 2014 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 2 March 2015.

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 2013 and last half yearly financial report in respect of the year ended 31 December 2014.

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 2014:

- IFRS 10, 'Consolidated Financial Statements'
- IFRS 11, 'Joint Arrangements'
- IFRS 12, 'Disclosure of Interests in Other Entities'
- IAS 27 (2011), 'Separate Financial Statements'
- IAS 28 (2011), 'Investments in Associates'
- IFRIC 21, 'Levies'

The adoption of the above new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

Amendments to existing standards
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.

New IFRSs not yet adopted
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 consolidated financial statements.

- IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2017 consolidated financial statements)
- IFRS 9, 'Financial Instruments' (effective for the Group's 2018 consolidated financial statements)

The directors do not believe that either of the above standards will have a significant impact on Group reporting. There are other amendments which have been considered but are not likely to have a significant impact on the Group's accounting policies.

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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

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

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.

Reportable business segment information for the year ended 31 December 2014:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	**334,639**	**227,016**	**173,940**	**126,605**	**19,440**	**881,640**
Inter-segment trading	**-**	**(96)**	**-**	**-**	**96**	**-**
Total income	**334,639**	**226,920**	**173,940**	**126,605**	**19,536**	**881,640**
Direct betting costs	**(53,961)**	**(55,608)**	**(44,450)**	**(13,051)**	**(676)**	**(167,746)**
Gross profit	**280,678**	**171,312**	**129,490**	**113,554**	**18,860**	**713,894**
Depreciation and amortisation	**(18,114)**	**(8,730)**	**(11,452)**	**(8,720)**	**(999)**	**(48,015)**
Other operating expenses	**(187,242)**	**(110,216)**	**(96,823)**	**(89,275)**	**(18,517)**	**(502,073)**
Reportable segment profit / (loss)	**75,322**	**52,366**	**21,215**	**15,559**	**(656)**	**163,806**

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

Reconciliation of reportable segments to Group totals:

	2014 €'000	2013 €'000
Income		
Total income from reportable segments, being total Group income	**881,640**	745,195
Profit and loss		
Total profit and loss from reportable segments	**163,806**	137,386
Unallocated amounts:		
Financial income – non-Online Australia (1)	**439**	580
Financial income – Online Australia	**2,486**	3,245
Financial expense – non-Online Australia (1)	**(62)**	(112)
Financial expense – Online Australia	**(104)**	(69)
Profit before tax	**166,565**	141,030

(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.

(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	**2014 €'000**	2013 €'000
UK	**429,968**	357,112
Australia	**227,016**	179,627
Ireland and rest of world	**224,656**	208,456
Total	**881,640**	745,195

(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	**2014 €'000**	2013 €'000
UK	**140,648**	128,586
Australia	**83,698**	77,386
Ireland and rest of world	**83,566**	74,886
Total	**307,912**	280,858

4. Direct betting costs

Direct betting costs comprise:

	2014 **€'000**	2013 €'000
Betting taxes	**72,287**	52,249
Software supplier costs	**30,794**	25,139
Other direct betting costs	**64,665**	50,855
Direct betting costs	**167,746**	128,243

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephones Point of Consumption tax which was introduced on 1 December 2014), machine gaming duty (which was introduced on 1 February 2013), and Goods and Services Tax 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

	2014 **€'000**	2013 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**2,799**	3,363
Unwinding of the discount on non-current assets	**126**	462
	2,925	3,825
Financial expense:		
On financial liabilities at amortised cost		
Interest on bank guarantees and bank facilities, and other interest payable	**62**	47
Unwinding of the discount on provisions and other non-current liabilities	**104**	134
	166	181

	2014 **€'000**	2013 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(6,313)**	2,706
Fair value of foreign exchange cash flow hedges transferred to income statement	**5,144**	(4,688)
Net change in fair value of cash flow hedge reserve	**(1,169)**	(1,982)
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	**7,628**	(21,774)
	6,459	(23,756)

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2014 (2013: €nil).

6. Income tax expense

	2014 €'000	2013 €'000
Recognised in profit or loss:		
Current tax charge	**25,150**	22,370
Prior year over provision	**(2,870)**	(1,537)
	22,280	20,833
Deferred tax credit	**(2,840)**	(3,052)
Prior year under provision	**2,216**	65
Decrease in net deferred tax liability	**(624)**	(2,987)
Total income tax expense in income statement	**21,656**	17,846

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:

		2014 €'000		2013 €'000
Profit before tax		**166,565**		141,030
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**20,821**	12.5%	17,629
Depreciation on non-qualifying property, plant and equipment	0.9%	**1,494**	0.7%	970
Effect of different statutory tax rates in overseas jurisdictions	1.6%	**2,585**	0.7%	999
Brands and licences	0.0%	**-**	(0.4%)	(637)
Other permanent differences	(1.6%)	**(2,628)**	0.2%	318
Interest income taxable at higher rates	0.0%	**38**	0.0%	39
Over provision in prior year	(0.4%)	**(654)**	(1.0%)	(1,472)
Total income tax expense	13.0%	**21,656**	12.7%	17,846

Tax rates
No significant changes are expected to statutory tax rates in Ireland or Australia. A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the Group's future current UK tax charge accordingly. The UK deferred tax balances at 31 December 2014 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:

	2014	2013
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**144,909**	123,184
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at the beginning of the year	**50,977,085**	50,850,848
Adjustments for weighted average number of:		
– ordinary shares issued during year	**48,591**	15,975
– ordinary shares held in treasury	**(1,844,440)**	(1,734,000)
– ordinary shares held by long term incentive plan trust	**(1,058,093)**	(1,142,119)
Weighted average number of ordinary shares in issue during the year	**48,123,143**	47,990,704
Basic earnings per share	**€3.011**	€2.567
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the year	**48,123,143**	47,990,704
Dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**567,701**	892,228
Adjusted weighted average number of ordinary shares in issue during the year	**48,690,844**	48,882,932
Diluted earnings per share	**€2.976**	€2.520

No options and awards at 31 December 2014 and 31 December 2013 were excluded from the diluted weighted average number of ordinary shares calculation due to their effect being 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 2013	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
Arising on acquisitions during the year (Note 9)	**-**	**-**	**2,070**	**5,632**	**7,702**
Foreign currency translation adjustment	**-**	**2,005**	**577**	**-**	**2,582**
Balance at 31 December 2014	**13,303**	**52,054**	**20,963**	**16,518**	**102,838**

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 2014. Based on these reviews, with the exception of the IAS brand impairment of AUD 6,900,000 initially provided for in 2011, no impairment has arisen.

9. Business combinations

Year ended 31 December 2014

Shop property business acquisitions
In 2014, 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 2014 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**592**
Goodwill arising on acquisition – UK Retail and Irish Retail	**7,702**
Consideration	**8,294**
The consideration is analysed as:	
Cash consideration	**6,432**
Contingent deferred consideration	**1,862**
	8,294

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 sportsbook amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2014 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 12 months following the date of acquisition. The contingent deferred consideration amount of €1,867,000 at 31 December 2014 represents management's best estimate of the fair value of the amounts that will be payable.

9. Business combinations (continued)

During 2014, the Group also paid €3,195,000 in respect of contingent deferred consideration for the 2011 Online (ex Australia) acquisition, €1,852,000 relating to the purchase of the remaining 39.2% of Sportsbet Pty Limited in 2011 and €330,000 and €9,000 respectively in respect of 2013 Irish Retail and UK Retail acquisitions (see below).

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:

	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 sportsbook 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.

Net cash outflow from purchase of businesses

	31 December 2014 €'000	31 December 2013 €'000
Cash consideration – acquisitions in the period	**6,432**	6,594
Cash consideration – acquisitions in previous periods	**5,386**	3,072
	11,818	9,666
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**6,432**	6,594
Payment of contingent deferred consideration	**5,386**	3,072
	11,818	9,666

10. Trade and other receivables

Non-current assets

	31 December 2014	31 December 2013
	€'000	€'000
Prepayments and accrued income	**1,972**	2,903
	1,972	2,903

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 2014	31 December 2013
	€'000	€'000
Trade receivables – credit betting customers	**4,137**	3,907
Trade receivables – other sports betting counterparties	**1,451**	1,818
Trade receivables	**5,588**	5,725
Other receivables	**1,720**	1,815
Value added tax and goods & services tax	**1,288**	-
Prepayments and accrued income	**23,814**	21,722
	32,410	29,262

Trade and other receivables are non-interest bearing.

An amount of €1,154,000 has been included within current prepayments and accrued income at 31 December 2014 (2013: €1,615,000) relating to the GST court case referred to above.

11. Financial assets and cash and cash equivalents

	31 December 2014	31 December 2013
	€'000	€'000
Non-current		
Financial assets – restricted cash	**-**	993
	-	993
Current		
Financial assets – restricted cash	**39,213**	52,806
Financial assets – deposits	**19,258**	13,686
Cash and cash equivalents	**226,513**	161,359
	284,984	227,851
Total	**284,984**	228,844

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

	31 December 2014	31 December 2013
	€'000	€'000
Cash	**76,930**	61,181
Short term bank deposits – with an original maturity of less than three months	**149,583**	100,178
Cash and cash equivalents in the statement of cash flows	**226,513**	161,359

The effective interest rate on bank deposits at 31 December 2014 was 1.05% (2013:1.59%); these deposits have an average original maturity date of 41 days (2013: 61 days). The bank deposits also have an average maturity date of 19 days from 31 December 2014 (2013: 36 days).

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

11. Financial assets and cash and cash equivalents (continued)

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

	31 December 2014 €'000	31 December 2013 €'000
Euro	**119,596**	76,305
GBP	**95,531**	73,455
AUD	**65,649**	77,188
USD	**3,478**	1,595
Other	**730**	301
	284,984	228,844

Financial assets
At 31 December 2013 included in non-current financial assets was restricted cash totalling €993,000 which was restricted at that date. This balance related 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. At 31 December 2014, no such balances were restricted.

Included in current financial assets – restricted cash at 31 December 2014 are bank deposits totalling €39,213,000 (2013: €52,806,000) which were restricted at that date as they represented client funds balances securing player funds held by the Group and also at 31 December 2013 were required to be held to guarantee third part letter of credit facilities.

Included in current financial assets – deposits are bank deposits totalling €19,258,000 (2013: €13,686,000) which had an initial cost of €18,893,000 (2013: €13,621,000). 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.

12. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2013: 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, 112,615 ordinary shares of €0.10 each (2013: 126,237 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 €2,468,000 (2013: €1,621,000) and giving rise to a share premium of €2,457,000 (2013: €1,608,000). A further 15,000 ordinary shares of €0.10 each (2013: nil ordinary shares of €0.10 each) were issued during the year for a total consideration of €867,000 (2013: €nil) and giving rise to a share premium of €866,000 (2013: €nil). The total number of ordinary shares issued at 31 December 2014 was 51,104,700 (2013: 50,977,085), those shares having a total nominal value of €5,110,000 (2013: €5,098,000).

During the year, the Group also purchased on the market a total of 450,000 ordinary shares of €0.10 each (2013: nil ordinary shares of €0.10 each) at prices ranging from €48.50 to €53.50 (average price of €51.83). The total cost of the shares purchased was €23,605,000, comprised of €23,325,000 for the shares themselves and a further €280,000 for other purchase related costs (2013: €nil). The other purchase related costs have been written off directly to retained earnings. The total number of shares held in treasury at 31 December 2014 was 2,184,000 shares (2013: 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 €57,502,000 as of 31 December 2014 (2013: €34,177,000). The cost of treasury shares held by the Company at 31 December 2014 was €5,975,000 (2013: €5,975,000), with a further €51,527,000 of shares being held by the Company's subsidiaries (2013: €28,202,000).

At 31 December 2014, the Company held a further 1,020,372 (2013: 1,302,378) of its own shares, which were acquired at a total cost of €61,454,000 (2013: €71,736,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan. The Company's distributable reserves at 31 December 2014 are further restricted by this cost amount. In the year ended 31 December 2014, 352,406 shares with an original cost of €14,165,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2013: 348,064 shares with an original cost of €8,675,000). During the year ended 31 December 2014, the Trust purchased 70,400 Paddy Power plc ordinary shares for a total consideration of €3,883,000 (2013: 380,000 Paddy Power plc ordinary shares for a total consideration of €24,220,000).

The foreign exchange translation reserve at 31 December 2014 of €36,000 (2013: €7,664,000) 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 2014 primarily reflects the strengthening of the AUD 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 (2013: €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 (2013: €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 years ended 31 December 2014 or 31 December 2013 and the reserve had a balance of €104,000 at 31 December 2014 (2013: €104,000).

12. Share capital and reserves (continued)

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 2015. The fair value loss of €2,305,000 at 31 December 2014 (2013: €1,283,000), which is stated after applicable deferred taxation of €331,000 (2013: €184,000), arises as the applicable forward contract EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2014 (31 December 2013: the applicable EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2013).

In 2014, an amount of €846,000 (2013: €699,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €230,000 of deferred tax relating to the Group's share-based payments was charged to retained earnings in 2014 (2013: credit of €235,000).

13. Dividends paid on ordinary shares

	2014 €'000	2013 €'000
Ordinary shares:		
- final paid of 90.0 cent per share (2013: 81.0 cent)	**44,392**	39,803
- interim paid of 50.0 cent per share (2013: 45.0 cent)	**24,599**	22,104
	68,991	61,907
Proposed final dividend of 102.0 cent (2013: 90.0 cent) per share (see Note 17)	**49,905**	44,392

14. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2014 €'000	31 December 2013 €'000
Trade and other payables		
Trade payables	**11,348**	18,856
Customer balances	**67,133**	57,290
PAYE and social security	**5,804**	5,284
Value added tax and goods & services tax	**-**	1,035
Betting duty, data rights and product & racefield fees	**16,182**	9,349
Employee benefits	**31,138**	30,363
Contingent deferred consideration – business combinations	**1,977**	3,375
Accruals and other liabilities	**67,837**	55,421
	201,419	180,973
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges	**2,636**	1,467
Sports betting open positions	**14,345**	15,581
	16,981	17,048

Non-current liabilities

	31 December 2014 €'000	31 December 2013 €'000
Trade and other payables		
PAYE and social security	**255**	501
Employee benefits	**4,958**	6,499
Contingent deferred consideration – business combinations	**111**	4,701
Accruals and other liabilities	**497**	588
	5,821	12,289
Derivative financial liabilities		
Sports betting open positions	**128**	270
	128	270

Derivative financial liabilities
The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2014 was GBP71.7m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2014 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 2015.

14. Trade and other payables and derivative financial liabilities (continued)

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.

15. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €14.2m (2013: €15.3m) with Allied Irish Banks p.l.c. 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, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2014 was €14,856,000 (2013: €19,249,000). No claims had been made against the guarantees as of 31 December 2014 (2013: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies. Also at 31 December 2013, these guarantees were also secured by cash deposits totalling €18,769,000 over which the guaranteeing banks hold security. The fair value accounting impact of these guarantees was deemed to be immaterial. There were no guarantees secured by cash deposits at 31 December 2014 over which the guaranteeing banks hold security.

The Group has cash amounts totalling €39,213,000 (2013: €35,030,000) 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 2014, the total value of relevant customer balances attributable to the Online Australia business segment was €32,770,000 (AUD48,595,000) (2013: €24,660,000 (AUD38,033,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €65,895,000 (AUD97,716,000) (2013: €73,859,000 (AUD113,913,000)).

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 2014 €'000	31 December 2013 €'000
Property, plant and equipment	**1,189**	2,359
Intangible assets	**548**	183
	1,737	2,542

(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 2014 and 2013, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2014 €'000	31 December 2013 €'000
Within one year	**30,052**	26,429
Between two and five years	**87,699**	84,564
After five years	**74,388**	82,496
	192,139	193,489

The Group has a small number of shop properties that are sublet. Sublease payments of €435,000 (2013: €321,000) are expected to be received during the year ended 31 December 2015.

15. Commitments and contingencies (continued)

During 2014, an amount of €30,376,000 was recognised in profit or loss in respect of operating leases (2013: €25,971,000). Contingent rent expense in profit or loss amounted to a credit of €590,000 (2013: credit of €516,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €448,000 in 2014 (2013: €394,000).

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.

16. 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 2014 and 2013 that materially impacted the financial position or performance of the Group.

17. Events after the reporting date

Dividend
In respect of the current year, the directors propose that a final dividend of 102.0 cent per share (2013: 90.0 cent per share) will be paid to shareholders on 22 May 2015. 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 13 March 2015. The total estimated dividend to be paid amounts to €49,905,000 (2013: €44,392,000).

Capital return
Subsequent to the year end, the directors approved a proposal to return c€392m million to shareholders. This proposal, if approved by shareholders at the forthcoming Annual General Meeting, will most likely be effected via a B share type scheme, whereby shareholders can elect to sell or receive a dividend on newly issued shares, followed by a share consolidation.

18. Accounting estimates and judgements

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

Goodwill of €102,838,000 (2013: €92,554,000) and indefinite life intangible assets of €34,506,000 (2013: €32,544,000) 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 €35,950,000 at 31 December 2014 (2013: €31,113,000).

The fair value of the Group’s sports betting open positions amounted to €14,473,000 at 31 December 2014 (2013: €15,851,000) 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 2014 are contingent deferred consideration amounts of €2,088,000 (2013: €8,076,000) 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 €2,088,000 at 31 December 2014 represents management’s best estimate of the fair value of the amounts that will be payable.