

Operating & Financial Review

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Paddy Power is a multi-channel, multi-national betting and gaming group. Operations are divided between Online, Irish Retail, UK Retail and Telephone divisions which provide betting and gaming services to customers predominantly in Ireland and the UK. The Online division has grown rapidly in recent years and generated over 70% of Group operating profit in the second half of 2008. Revenue from UK customers has also increased significantly, notwithstanding the recent weakness in sterling, and accounted for almost 50% of Group operating profit in the second half of 2008.

Operating Profit by Division (€m)

	2008	% of Group	2007	% of Group
Online	42.8	57%	32.0	44%
Irish Retail	28.3	37%	34.6	48%
UK Retail	1.2	2%	(0.9)	(1)%
Telephone	3.4	4%	6.4	9%
Group	75.7	100%	72.1	100%

Operating Profit by Geography (€m)

	2008	% of Group	2007	% of Group
UK	29.1	38%	23.3	32%
Ireland and Rest of World	46.6	62%	48.8	68%
Group	75.7	100%	72.1	100%

(Online and telephone operating profit by geography based on average divisional profit margins applied to UK revenues)

Sporting Results and Trading

2008 was the proverbial rollercoaster ride in terms of sporting results. The year got off to a flyer with four months of favourable results in everything from the next Republic of Ireland Football Manager to the mainstream of National Hunt racing. As results went against the punters, we ran some of our most generous 'specials'. Yet we couldn't even give the money back. A special refunding fallers in the Cheltenham Gold Cup attracted a ton of money for the favourite Kauto Star, but he neither won (nor fell) and was beaten by Denman. In the golf majors, we were paying out on up to seven places for each-way bets and giving stand out value on the big names but it was little help for punters when the likes of 130/1 outsider Trevor Immelman was stepping up to beat Tiger in the Masters.

We needn't have worried. Over the summer, results, like a well balanced portfolio of blue chip shares, went pear-shaped. Euro 2008 went almost completely to form – 21 of the 31 matches won by the favourites and a final with the two shortest price starters, Spain and those ever reliable Germans, meant only thin pickings for bookies. In golf, carrying an injury seemed an actual advantage with brave wins in Majors by an injured Tiger and Harrington. Our belief in the mantra

'nice guys finish last' was again disproved as weeks later Harrington won his second major of the year. Meanwhile another fairy tale ending looked to be unfolding as Aidan O'Brien reached a record threatening (and Irish bookie bashing) 18 Group 1 race wins by the end of the summer.

Then at last some normality. Harrington showed some mercy by having a rare off week during the Ryder Cup. Aidan O'Brien proved human narrowly missing out in the Breeders' and Melbourne Cups and thereby the Group 1 record. All in all, things were good apart from the weather which resulted in abandoned race meetings in the second half of the year increasing from 34 in 2007 to 81 in 2008.

Overall, the year highlights the impact of the ebb and flow of sporting results on our short term profitability; 2008 gross win percentages were significantly below 2007 levels, but still above our normal expectations. However just as importantly, the year highlights Paddy Power's commitment to its tradition of being at the forefront of our markets in terms of value for customers through a range of very deliberate and targeted offers. Our experience has been that this approach pays in both short term and long term gains in market share, especially in challenging economic conditions.



PAYOUT EARLY, PAYOUT OFTEN? YES WE CAN!

After getting hit by a maelstrom of mid-year bookie bashing results including four Aidan O'Brien winners at Royal Ascot and Harrington's historic British Open double, we decided it was unlikely that lightning would strike twice. We offered the biggest odds in town (20/1) against the Dubliner winning the USPGA. 2-0 to Pádraig. It was also turning into a memorable year for soccer punters. In May, we offered to refund all losing bets on the Champions League Final if Ronaldo scored - 26 minutes into the match we had our cheque book out! We had already paid out early on Man Utd as League winners and Ronaldo as top scorer and we also paid out fairly early on Stoke City for relegation, in fact 90 minutes after their Premier League season debut back in August! Backers of a white Christmas got an early Christmas present too when we paid out on a white one on December 15th.




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While online gaming revenues showed the stronger growth, sports betting remains our bigger revenue stream.

Online Division

The online channel continues to grow in importance and is expected to be the main engine of Paddy Power's profitability in 2009. Last year, online operating profit increased by €11m or 48% in constant currency to €43m. Operating margins were also increased with operating profit as a percentage of gross win up from 34% to 41% notwithstanding increased value for customers and investment in our product and newer businesses.

While online gaming revenues showed the stronger growth, sports betting remains our bigger revenue stream. We see this as a positive in the intensely competitive online market given that sports betting is generally accepted as the largest individual segment, with the highest potential for product differentiation and hurdles for new entrants. A strong sportsbook position can also enhance gaming profitability and growth through cross selling.

(A) Sportsbook

The amounts staked on the online sportsbook increased by 20% in constant currency to €646m. Within this, bet

volumes grew 37% to 27.4m while the average stake per bet decreased by 20%, or 12% in constant currency, to €23.58.

The reduction in average stake per bet is due to a combination of factors, including the significant growth in active customers and more challenging economic circumstances. Gross win in the sportsbook increased by 17% in constant currency to €58.6m, on a slightly lower gross win percentage.

Paddy Power punters as always benefited from a range of early payouts. These covered everything from weighty political matters (Boris Johnson as Mayor of London, Barack Obama as President, an Irish 'Yes' vote in the Lisbon referendum – doh!) to snow on Christmas Day. Paying out on Stoke City to be relegated after the first match of the Premier League wasn't popular with their fans but it did galvanise them with chants of 'Are you watching Paddy Power?' heard on Sky when they beat West Ham in their next match. This trademark focus on early payouts and non-traditional betting markets, creates unique product, fun talking points and media interest which in turn drives incremental revenue.

Online 2008 Results (€m)

	2008	2007	% Change	% Change in Constant Currency ('CC')
Amounts staked	694.9	629.7	10%	21%
Sportsbook gross win	58.6	54.1	8%	17%
<i>Sportsbook gross win %</i>	<i>9.1%</i>	<i>9.2%</i>		
Gaming gross win	47.1	40.7	16%	28%
Total gross win	105.7	94.8	11%	22%
Gross profit	91.1	75.4	21%	31%
Operating costs	(48.3)	(43.4)	11%	19%
Operating profit	42.8	32.0	34%	48%

Online Channel Active Customers

	31 Dec 2008	31 Dec 2007	% Change
Ireland and Rest Of World	69,214	57,852	+20%
UK	111,102	87,723	+27%
Total	180,316	145,575	+24%

Online Customers Product Usage

	31 Dec 2008	31 Dec 2007	% Change
Sportsbook only	101,263	80,578	+26%
Gaming only	36,791	29,957	+23%
Multi product customers	42,262	35,040	+21%
Total	180,316	145,575	+24%

(Active customers are defined as those who have bet in the last three months)



Gaming revenue
€47m
 up 28%
 in constant
 currency

While exceptional market volatility and media interest boosted Paddy Power Trader in 2008, we continue to see an attractive underlying opportunity.

When not scouring the internet for any crumb of gossip about the upcoming Star Trek movie, our techies and designers were busy with a range of site enhancements. New horse racing and soccer pages integrated form and other statistics, as well as being easier to use. A redesigned betting-in-running area improved the presentation of the many markets we offer and incorporated 'mini-games' plus a live picture service for over 4,000 events annually which we are currently trialling with Irish customers. Customers also got more payment options with the addition of Paypal.

Our sports risk management business, targeting companies with exposure to sporting results from marketing or player bonus arrangements, performed well in its first year and also benefited from a favourable run of results. The development of our Spanish language online betting business has been hampered by the absence of the expected legislative clarity.

(B) Gaming

Gaming revenue increased by 28% in constant currency to €47.1m. This was driven by a strong performance in Games and Casino, supplemented by growing gross win from our newer gaming businesses, Bingo and Financial Spread Betting. As expected, growth was strongest in early 2008 and moderated in late 2008 as a result of relatively low and then relatively high 2007 comparatives.

The root of the strong Games and Casino performance continues in part to be the market leading position of our sportsbook with many sportsbook customers going on to also enjoy online gaming, as illustrated by the 21% growth in multi-product customers. We reinforce this trend with a strong gaming product and highly effective cross selling activity. The Games channel now offers over 80 games with popular additions in 2008 including Winners Circle virtual racing, branded slots previously only available within our Casino channel and that old schoolyard favourite, Top Trumps. We wait with bated breath for the online incarnation of conkers and kiss-chasing.

Poker businesses generally had a challenging 2008 as a result of continued disruption to the industry landscape since the U.S. outlawed online gambling by U.S. residents in late 2006 (albeit this had no direct effect on Paddy Power) and a 7% depreciation in its U.S. dollar playing currency relative to the euro. In this context, we were pleased to be part of the large and growing iPoker network and to maintain our revenue in constant currency terms and grow our active customers and profitability. Operationally, we enhanced our player rewards programme and launched a 'No Download, Instant Play' option, ideal for that much needed break at work when the boss isn't looking.

We continue to develop our newer businesses to position them for future growth. Within Paddy Power Trader, we introduced a range of new educational and community initiatives. While exceptional market volatility and media interest also boosted trading in 2008, we continue to see an attractive underlying opportunity for Paddy Power.

Within Bingo, we were pleased to win 'Bullet Business' Best Bingo Newcomer Award in 2008. We continue to focus on refining our proposition to best fit this large potential new customer base for Paddy Power. Comprehensive input from customer focus groups in 2008 informed, amongst other things, a significant redesign of our bingo site which has got a positive reaction from customers.

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Retail

During 2008, we made significant progress in expanding our Retail Division and laid the groundwork for further expansion in the UK this year:

- We grew our UK estate from 58 to 68 shops, with two new openings in London and the acquisition of eight shops in Northern Ireland, a new market for us;
- We established development teams in Glasgow, Manchester and Northern Ireland, which over time will enable us to expand in other locations in Scotland and the North West of England;
- We opened 13 new shops in the Republic of Ireland and redeveloped 12 others.

Our UK Retail expansion remains on track to achieve the increased target we announced in August to have at least 150 shops by 2011 and we recently announced the opening of our first three shops in Glasgow. Site finding and assessment procedures are well organised and an attractive pipeline of units is being progressed.

Within our recession busting range of promotions, there were some campaigns specific to Retail. Top of these was our free to enter Last Man Standing competition. You pick a different football team each week you think is going to win their match and you continue 'standing' if they do. The first run of the competition in August had a prize fund of €250,000, which could have bought you a small apartment. We definitely all needed more cheering up by the day of the Irish Budget in October so we ran it again with a prize fund of €500,000, which by then could have bought you a large apartment block. Retail punters shared our enthusiasm with the number of entrants also doubling in the second run.

As always, Paddy Power were committed to giving the punter the best possible product. There were many examples in 2008 including a second audio studio to customise commentary to different parts of the estate and add specialist coverage of greyhound racing, extended content and frequency of the Paddy Times and further development of our screen system complementing our unique horse racing markets.

Irish Retail Division

The amounts staked within Irish Retail increased by 1% to €935m, while gross win fell by 1% to €124m. Excluding the impact of new shops, like-for-like amounts staked were down 5.3% and gross win was down 7.5%. The reduction in stake was primarily due to a fall in average stake per slip of 3.4% to €21.45, with like-for-like slip numbers proving more resilient. Like-for-like turnover grew in January to April but declined subsequently, falling 10.7% in the last quarter of 2008 when overall racing fixtures were broadly comparable.

A particular factor affecting growth in Irish Retail has been the significant increase in new shop openings across the industry in recent years which has materially impacted turnover per shop. In our estate, there is a difference of approximately 7% last year in the like-for-like turnover performance between the group of shops which have had a new competitor in the last three years and that group which has not. We expect more shop closures in the industry, further to some 40 closures already decided upon in the last couple of months by operators other than Paddy Power, as a result of the doubling in betting tax, economic conditions and highly competitive trading.

Irish Retail Division 2008 Results (€m)

	2008	2007	% Change
Amounts staked	935.4	930.0	+1%
Gross win	124.3	126.1	-1%
Gross win %	13.3%	13.6%	
Gross profit	114.4	116.5	-2%
Operating costs	(86.1)	(81.9)	+5%
Operating profit	28.3	34.6	-18%
Shops at year end	191	178	+7%



SPONSOR UNUSUAL EVENTS? YES WE CAN!

Easily our most colourful sponsorship of 2008 was the Bingham Cup, more commonly known as the Paddy Power Gay Rugby World Cup. With 31 teams from 12 countries taking part it was the biggest international team sports event to take place in Ireland in 2008 and the biggest ever commercial sponsorship of an Irish gay event. The billboards advertising the event were dreamt up by the tournament organisers and certainly managed to raise an eyebrow or two! After three days of fierce competition at DCU Sports Campus in North Dublin the title was successfully defended by reigning champions, the Sydney Convicts. All in all we enjoyed a great bang for our buck!



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Irish retail operating cost growth was restricted to 5%, despite a 10% increase in the average number of shops.

Operating cost growth was restricted to 5%, despite a 10% increase in the average number of shops, as we benefited from volume and other reductions successfully negotiated over a range of costs, an enlarged estate over which to spread relatively fixed central costs and the absence of some once-off depreciation charges incurred in 2007. Only 12 units required refurbishment last year with the quality materials used in the significant programme of redevelopment during 2003 to 2006 wearing well. Irish Retail realised an exceptional gain of €2.7m in 2008 (excluded from the table above and throughout this statement) related to a successful industry appeal for a refund of VAT.

We opened 13 new shops during 2008 taking our estate to 191 units at the end of last year. Since the Irish government's decision to double betting tax, we have withdrawn from a number of planned shop developments and our medium term guidance of six to ten new shops per annum is under review. Nonetheless, our shops on average can attract twice the turnover of our competitors' shops, and that leaves us well placed to take advantage of whatever opening opportunities will exist.

UK Retail Division

UK Retail profitability continues to grow with trading profits increasing by €0.9m from €0.3m in 2007 (pre shop closure costs) to €1.2m in 2008. Excluding the impact of shops acquired, trading profits grew by €0.2m despite additional costs incurred in relation to our expansion and an adverse impact from weaker sterling of approximately €0.8m.

In constant currency, turnover grew 18% to €174m, helped by a 2% increase in the average stake per slip, and gross win increased by 22%. Like-for-like gross win grew 10% in constant currency comprised of machine growth of 28% and over-the-counter ('OTC') growth of 1%, the latter partially reflecting turnover in the comparative April to December period being boosted by a competitive advantage from Turf TV. There were 268 machines installed at the end of 2008, an increase of 16% compared to the end of 2007. The average gross win per machine per week including VAT was £881. Excluding Northern Ireland, this amount was £922, an increase of 27% compared to 2007, helped by longer opening hours and new content allowed by the Gambling Act.

UK
Retail
trading profit
€1.2m
up €0.9m

UK Retail Division 2008 Results (€m)

	2008	2007	% Change	% Change in Constant Currency ('CC')
Amounts staked	173.6	171.5	+1%	+18%
OTC gross win	20.1	20.2	0%	+16%
Sportsbook gross win %	12.5%	12.6%		
Machine gross win	12.4	10.8	+14%	+33%
Total gross win	32.5	31.0	+5%	+22%
Gross profit	27.0	25.8	+5%	+22%
Operating costs	(25.8)	(26.7)	-3%	+8%
Operating profit*	1.2	(0.9)		
Shops at year end	68	58	+17%	+17%

(* Operating profit in 2007 is shown after a €1.2m provision for shop closure costs included within operating costs)

Great Britain Estate (€m)

	2008	2007	% Change	% Change in Constant Currency ('CC')
Shop estate EBITDA	8.2	8.1	+1%	+22%
Shop estate depreciation	(4.0)	(4.1)	-2%	-2%
Shop estate operating profit	4.2	4.0	+5%	+60%
Central overheads	(3.7)	(3.7)	-1%	+16%
Trading profit	0.5	0.3		

(Great Britain refers to the UK excluding Northern Ireland)

We acquired McGranaghan Racing, an eight shop Northern Irish bookmaking chain, in May 2008.



Local sporting legends AP McCoy and Gerry Armstrong lent a helping hand when it came to our Northern Ireland betting shop launch. The dynamic duo toured our Belfast betting shops along with Paddy Power and enjoyed a hero's welcome at each location on the day.

Operating cost growth was 14% in constant currency, adjusting for once off shop closure costs in 2007. This was driven by an 11% increase in average shop numbers, longer evening opening hours and higher central overheads due to the additional infrastructure required to support shop openings in Glasgow and Manchester, as well as London.

EBITDA per shop in Great Britain averaged €140,000, an increase of 17% in constant currency versus 2007. We opened two shops in London in 2008 at an average capital cost per unit of under €300,000.

We acquired McGranaghan Racing, an eight shop Northern Irish bookmaking chain, for a net consideration of €23.6m at the end of May. These units represent Paddy Power's first betting shops in Northern Ireland where strict restrictions on new betting shops has kept shop numbers relatively unchanged for many years. We completed a refit of the shops in July and despite a challenging economic backdrop are encouraged at this early stage by strong profitability in the last quarter of 2008 and significantly increased non retail revenue from Northern Ireland customers.

Telephone Division

The amounts staked within the telephone channel grew by 6% in constant currency. Within this, bet volumes grew 13% to 3.3m while the average stake per bet

decreased by 6% in constant currency to €91.20. There was strong growth in active customers of 18% in the year overall and 12% during the last quarter driven in part by new reactivation and retention techniques.

The average active customer staked less in 2008 than 2007 due to the economic backdrop and increased net migration of spending from our telephone to our online channel. Nonetheless we mitigated these challenges during the year to achieve turnover growth in the second half of 14% in constant currency. The value conscious UK phone punter was attracted by guaranteed prices, a particularly strong offer within the telephone betting market. Customers wishing to bet to a higher stake were catered for by a new dedicated unit offering a tailored service.

Operating costs were reduced by 1% in constant currency. New technology and procedures were employed that reduced call waiting and duration times for customers, as well as costs. Other overheads were renegotiated at lower rates, leveraging in part overall non retail volume growth. Combined with the lower deductions between gross win and gross profit, overall costs fell by €2.9m. However as expected, operating profit was down compared to 2007 due to a 2.0% fall in the gross win percentage with a return to a more normal run of sporting results and sterling depreciation.

Telephone Division 2008 Results (€m)

	2008	2007	% Change	% Change in Constant Currency ('CC')
Amounts staked	297.1	296.6	+0%	+6%
Gross win	21.1	27.0	-22%	-18%
Gross win %	7.1%	9.1%		
Gross profit	21.1	24.8	-15%	-11%
Operating costs	(17.7)	(18.4)	-4%	-1%
Operating profit	3.4	6.4	-47%	-42%

Telephone Channel Active Customers

	2008	2007	% Change
Ireland and Rest Of World	11,876	11,417	+4%
UK	12,216	10,064	+21%
Total	24,092	21,481	+12%

(Active customers are defined as those who have bet in the last three months)

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“He’s a busy man but even U.S. Presidents need to let their hair down and where better than at the Grand National - we’ll treat him to a slap up meal, a rake of pints and a couple of free bets!”

(Paddy invites President Obama to Aintree).

Trading & Risk Management

Trading and Risk Management are pivotal to our leadership position in sports betting and have benefited from significant investment in recent years. This has allowed us to manage better the volatility associated with sporting results and provide an ever increasing range of product.

In 2008, the benefits from ongoing improvements in risk processes and our EPOS system also helped us fund the cost of the significantly increased value offered to customers. As a result, the expected gross win percentage in our retail divisions was unchanged, while the reduction in our non retail divisions was limited to 0.5%.

Whilst tightly managing our costs, we invest in areas that can improve the customer experience and differentiate us versus our competitors. We increased our trading and risk team by 27% with 14 new roles in 2008 to offer ante-post and betting-in-running for over 20 new football leagues and many other markets, complementing the streaming pictures for over 4,000 events now available online. We continued to improve our leadership position in racing ‘early prices’, with almost all UK races priced by 10am and all weekend terrestrial TV races priced the previous day. If we were any more efficient we’d be saddling the horses!

Marketing

Our marketing department continues to excel at identifying unusual opportunities for betting entertainment. So when it was announced that President Obama would visit the UK in April, Paddy immediately issued a formal invite to the new President to attend Aintree that month as his special guest - “He’s a busy man but even Presidents need to let their hair down and where better than at the Grand National - we’ll treat him to a slap up meal, a rake of pints and a couple of free bets!”

With all the doom and gloom in 2008, they also tried to facilitate those that wanted to take it all a bit less seriously, try make a few quid or simply watch where the public’s bets would drive the odds.

Thus we ran markets on ‘the next bank to go bust’, ‘the next airline to crash’ and ‘the first city to riot due to economic factors’. For those that really found themselves taking stock of it all in the midst of the crisis, we also offered betting on scientific proof of the existence of God emerging in 2009 (it’s 4/1 by the way, the odds shortening after atheists announced an advertising campaign warning “There probably is no God”).

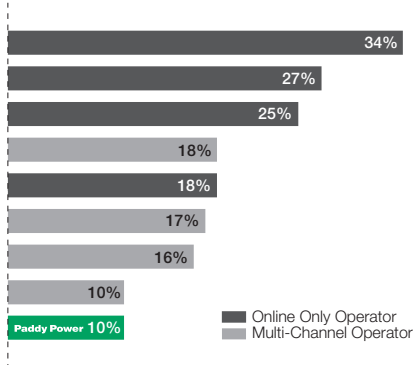
As Paddy Power has grown online, it has combined the established strength of its brand and marketing creativity with an appreciation of new technologies and changing patterns of media usage. ‘Eggycam’ was a novelty betting opportunity streamed live on a dedicated website allowing people to bet on which of ten eggs in an incubator would hatch first, combined with the slightly lower tech promotional technique of Paddy dressing up in a chicken suit. Over 28,000 people visited the site, over 2,500 websites and blogs referencing the event and dozens of newspapers and radio stations covering the (eh) egg-citing story. Our spoof ‘you’ve been selected for the Ryder Cup team’ viral email and video had over 65,000 recipients (many claiming after the event that they could have actually improved the European team’s performance).

The ongoing investment in the brand highlighted throughout this statement is of course not just done because it’s fun, it continues because it pays back handsomely. This is illustrated in the financial results but equally in market research which for example last year highlighted:

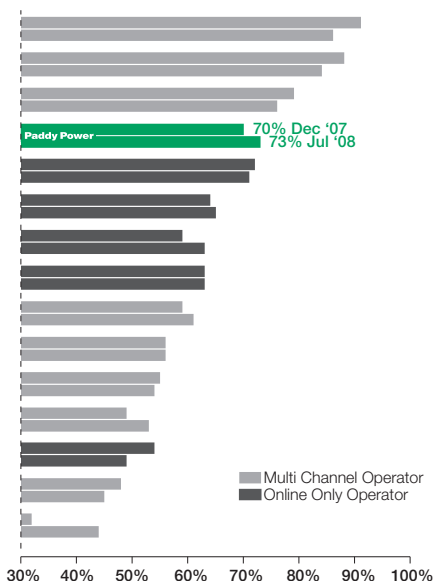
- Paddy Power’s UK online customers showed the highest brand loyalty, with the percentage of our customers that switched their main account in the previous 12 months the lowest of nine bookmakers;
- Paddy Power had the 4th highest brand awareness amongst regular UK online bettors at 73% (exceeded only by the ‘big 3’ retail operators) and was the only top 5 ranked operator growing its awareness.

Brand Benefit: Best UK Online Customer Loyalty

% of UK Bookmakers’ Online Customers who Switched their Main Account in Last 12 Months



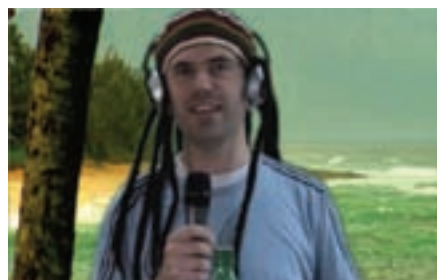
Brand Benefit: High & Growing UK Brand Awareness





HATCH FUN INITIATIVES? YES WE CAN!

“Eggcam” offered customers the unique opportunity to place bets on which of ten numbered hens’ eggs would hatch first from a specially commissioned incubator. All the action from inside the incubator was streamed live 24/7 on a special website www.eggcam.com. Three weeks later we were left shell-shocked after dozens of shrewd punters caught us napping in the early hours of the morning in a carefully organised betting coup on already hatched egg number six that cost us over €5,000! The techies further convinced us that IT wasn’t just for geeks with the ‘You’ve been selected for Europe’ Ryder Cup e-mail viral video which had over 65,000 individual downloads and even made its way around the press room in Valhalla. Our weekly Premier League video also built up a loyal following on the Paddy Power blog.



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Irish retail betting tax has been made a tax deductible expense from January 2009 which will lower the Group's effective corporation tax rate by approximately 2% to 14%.

Taxation

The corporation tax charge for the year excluding the exceptional item was €12.6m. This represents an effective tax rate of 16.0%, a reduction of 1.2% compared to 2007. Irish retail betting tax has been made a tax deductible expense from January 2009 which will lower the Group's effective corporation tax rate by approximately 2% to 14%. A deferred tax asset has not been recognised in respect of accumulated losses in Great Britain given the costs of the initial expansion into new cities. The Group's effective tax rate is above the standard rate of Irish corporation tax due to the impact of non-deductible expenses and some passive interest income which is taxed above the standard rate.

As a result of tax and related developments which became effective in September 2007, we significantly reduced the cost of deductions between gross win and gross profit within the Online and Telephone divisions. The reduced costs apply from that date and beyond so long as this situation remains unchanged.

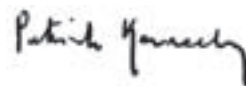
Cash Flow and Cash Balances

Cash balances at the end of 2008 were €76.7m, a decrease of €11.2m compared to €87.9m at the end of 2007. This included cash balances held on behalf of customers of €16.6m compared to €15.3m at 31 December 2007. Net cash generated from operating activities was €95.3m in 2008 compared to €98.8m in 2007. While growth in the business again resulted in a working capital inflow, this was at a lower level than in 2007 driving lower net cash from operations. Capital expenditure on tangible and intangible assets was €17.3m, comprising primarily the organic opening and upgrading of retail outlets. Additional investment expenditure of €23.6m was incurred in relation to the McGranaghan acquisition. Cash returns to shareholders, including stamp duty and related costs, were €54.5m.

Foreign Exchange Risk and Impact of Sterling Weakness

The average sterling euro exchange rate in 2008 was 14% lower than in 2007 which reduced the converted value of UK Retail and approximately 60% of Online and 40% of Telephone Division gross win. After savings on the conversion of sterling denominated costs, this reduced operating profit by approximately €5m: €3.8m in Online, €0.8m in UK Retail and €0.4m in the Telephone Division.

Sterling denominated operating profit was approximately £30m in 2008. If such profits continued around that level in 2009, an average sterling euro exchange rate in 2009 of 0.90 (depreciation of 11% compared to last year's average rate of 0.80) would have a negative impact on Group operating profit of approximately €4m. A similar but smaller currency exposure arises in relation to the U.S. dollar's rate versus the euro as a result of poker activity being transacted in U.S. dollars. Again, if this income continued around 2008 levels in 2009, an average U.S. dollar euro exchange rate in 2009 of 1.30 (appreciation of 13% compared to last year's average rate) would offset sterling weakness by €1.0m to €1.5m.



Patrick Kennedy
Chief Executive



Jack Massey
Finance Director

27 February 2009