

CHAIRMAN'S STATEMENT

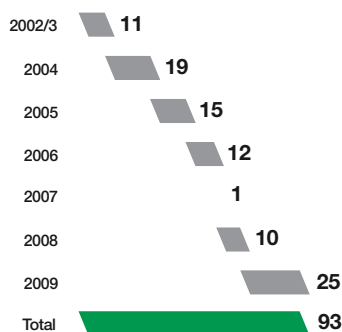
Dear Shareholder,

2009 Business Development

I am delighted to report on a highly successful year in the evolution of Paddy Power. In 2009 your Group made its first investments outside Europe, securing a number one position in the highly attractive Australian online corporate bookmaker market through two acquisitions. In addition, we opened 25 new shops in the UK, our largest ever number in a single year, and maintained positive momentum in UK Retail profits. Finally, we established an important new revenue stream from business-to-business activities with PMU, Europe's largest betting organisation, secured as our first client.

UK Retail Estate

Shops by year of opening



2009 Financial Results

From an operational perspective, as expected, the Group faced a number of headwinds in 2009. Further contraction in the UK and Irish economies impacted our customers. This led Paddy Power to step up its long standing focus on providing better value than the competition. Since mid-2008 we have traded more aggressively than ever before, with an additional range of 'stand out' offers at a gross cost of approximately €20m in a full year (or an incremental cost of approximately €10m in 2009 versus 2008). This was a key driver of organic turnover growth in 2009 of 14% in constant currency.

On top of our increased concessionary activity, our customers in the UK and Ireland enjoyed an exceptionally punter-friendly run of sporting results, particularly in comparison with 2008. This reduced the gross win percentage by a further 1.5% compared to 2008 and 0.9% below our normal expectations. A run of adverse results is a normal occupational hazard for bookmakers and accounted for substantially more than the €9m reduction in operating profit to €67m. The Group continues to be highly cash generative, maintaining a strong net cash balance of €75m at the year end, notwithstanding the significant investments (€49m) and cash returns to shareholders (€26m) made in 2009.

€m	2009	2008	% Change	% Change in
				Constant
				Currency ('CC')
Amounts staked	2,752	2,101	+31%	+36%
Sportsbook gross win %	8.5%	11.0%		
Gross win	295.9	283.7	+4%	+8%
Gross profit	258.0	253.7	+2%	+5%
Operating costs	(191.3)	(178.0)	+7%	+11%
Operating profit	66.7	75.7	-12%	-8%
Profit before tax	67.2	79.0	-15%	-11%
EPS, adjusted diluted	120.7 cent	137.8 cent	-12%	
Dividends	58.4 cent	54.0 cent	+8%	
Net cash	€75m	€77m		

(Percentage changes in constant currency reflect the foreign currency content in 2008 translated at 2009 exchange rates) (2008 results above and throughout this statement, the Chief Executive's Review and the Operating & Financial Review exclude an exceptional gain of €2.7m pre-tax)



CHAIRMAN'S STATEMENT CONTINUED



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Taxation

During 2009, the Irish government postponed its planned doubling of the retail betting tax to 2% of turnover. This postponement is to allow the Government to carry out a study into the potential taxation of online and telephone betting, while, in its own words, 'protecting Irish jobs'.

We have engaged with various Government departments involved in this study highlighting that:

- Online and telephone betting represent just a fifth of the total Irish bookmaking market;
- There are fundamental difficulties in successfully enforcing such a tax;
- As a result, a tax would materially disadvantage compliant indigenous operators.

Such a tax would therefore raise only modest revenue, would be costly to implement, would be very difficult to enforce effectively and could potentially lead to the loss of Irish jobs and tax revenues. Nonetheless, we recognise the challenges faced by the Government and never had an objection to paying tax on the internet betting of Irish customers, assuming that any tax is enforceable on all internet bookmakers and betting exchanges providing services to the Irish market.

The Board

Jane Lighting joined the board as a non-executive director last September. Jane is a former chief executive of Five, the UK's fifth terrestrial television channel, and a current non-executive director of Trinity Mirror Group plc. As Paddy Power continues to grow its business in the UK, Jane brings substantial knowledge and experience of that market, as well as specific media expertise.

Dividends

Despite the reduction in the Group's profitability due to adverse sports results, the Board is confident of the underlying performance of, and prospects for the Group. The Board is proposing to increase the final dividend by 10% to 38.9 cent per share. Further to the 5% increase in the interim dividend, this would bring the total dividend in respect of 2009 to €28.0m or 58.4 cent per share, an increase of 8% on the 54.0 cent paid in respect of 2008.

Outlook

Trading in the year to date has been satisfactory. Adverse weather in January led to racing cancellations and impacted turnover but this was offset by favourable sports results. 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

1 March 2010

NAME

No.

MISSION 01

SPREAD YOUR WINGS

Get ready for take off.....In May, we announced our entry into the Australian online and telephone betting market through the acquisition of 51% of Sportsbet, the leading fixed odds bookie brand Down Under.

With hardly enough time to throw a shrimp on the barbie, Sportsbet acquired IAS, one of its leading competitors, which consolidated its position as Australia's biggest fixed odds bookie. In November, we announced our entry into the French online betting market through a partnership with PMU, which will see us manage risk and pricing for PMU's new online sports betting business (and promise not to keep bringing up Thierry Henry, the cheating f@ck#). Allez Les Bleus!



Paddy Air