

# Getting Started

## Chairman's Statement

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Dear Shareholder,

I am delighted to report on a highly successful year for Paddy Power. Despite the difficult economic conditions, the Group delivered record turnover of €3.8 billion and operating profit of €104m. Earnings per share grew by 40% and the Board is recommending a full year dividend of 75c, an increase of 28% versus 2009. The fundamental pillars of this strong performance are product innovation, value for customers and brand differentiation. The fruits of investment in the business, combined with an unusually high proportion of bookmaker friendly results in the second half of the year, ensured that 2010 was a milestone year for the Group.

| €m                           | 2010         | 2009         | % Change    | % Change in Constant Currency ('CC') |
|------------------------------|--------------|--------------|-------------|--------------------------------------|
| Amounts staked               | 3,834        | 2,752        | +39%        | +34%                                 |
| Sportsbook gross win %       | 9.3%         | 8.5%         |             |                                      |
| <b>Gross win</b>             | <b>443.5</b> | <b>295.9</b> | <b>+50%</b> | <b>+45%</b>                          |
| Gross profit                 | 383.3        | 258.0        | +49%        | +44%                                 |
| Operating costs              | (279.5)      | (191.3)      | +46%        | +42%                                 |
| <b>Operating profit</b>      | <b>103.8</b> | <b>66.7</b>  | <b>+56%</b> | <b>+48%</b>                          |
| <b>Profit before tax*</b>    | <b>104.2</b> | <b>67.2</b>  | <b>+55%</b> | <b>+48%</b>                          |
| EPS, adjusted diluted*       | 168.9 cent   | 120.7 cent   | +40%        |                                      |
| Dividends                    | 75.0 cent    | 58.4 cent    | +28%        |                                      |
| <b>Net cash, at year end</b> | <b>€159m</b> | <b>€75m</b>  |             |                                      |

\*2010 excludes gains re the Sportsbet buyout call options revaluation and UK deferred tax asset recognition (where applicable)

As well as driving earnings growth, business developments in recent years have fundamentally changed the profile of Paddy Power's activities, and positioned it positively for future growth.

## Zooming in on wee objects

When viewing photos that need a bit more attention you can zoom in and out for a closer look at the world's largest poker chip stack.



## PPad Apps

The following apps are included with PPad:



Going Mobile

### Going Mobile

Now you can have Paddy in your pocket all the time! The new Paddy Power App for iPhone, iPad and Android stole the show in 2010, rocketing mobile betting into the stratosphere and resulting in a mobile sports bet being struck every three seconds!



Giant Erection

### Giant Erection

Spanning 270ft in length and 50ft high, the Hollywood style Paddy Power sign overlooking the 2010 Cheltenham Festival turned a few heads, raised even more eyebrows and entered the record books as the longest free-standing billboard in the world.



Volcano Betting

### Volcano Betting

What better way to follow a giant erection than a massive eruption! Coming to the rescue of would-be holiday makers, volcanobetting.com allowed people to 'insure' the cost of their holiday by placing a bet on their departure airport closing for at least one hour.



Sin Bin

### Sin Bin

Forgive me Father for I have sinned. Where better to clear your conscience than a trip down to the Paddy Power Sin Bin, the world's first sponsored confession box. Drop in to see Father Michael at St. Etheldreda's Church, Newmarket, and tell him Paddy sent you!



Social Paddy

### Social Paddy

In 2010, our Twitter, Facebook and YouTube channels attracted more followers, fans and viewers than ever before. On Facebook we now have more "fans" than the next ten competing bookmakers combined and we're only getting started!



Psychic Power

### Psychic Power

With the phenomenal success of Paul the Psychic Octopus during the 2010 World Cup, we joined forces with the National Sea Life Centre to test the psychic skills of Paul's Irish cousin, Paddy. However the Celtic cephalopod had his own plans.



Bricks & Clicks

### Bricks & Clicks

2010 was not just about online. Paddy Power is about Bricks and Clicks! In 2010, we continued to expand our retail presence both at home and abroad. We opened the doors to 31 new betting shops in the UK and nine in Ireland.



Paddy TV

### Paddy TV

Blind footballers, outrageous office e-mails and a difficult moment in the lads' changing room. It can mean only one thing, Paddy Power are on TV. England's Blind Football team stole the show with a display of skill that wouldn't seem out of place on MOTD (just ask Tiddles!).



Election Betting

### Election Betting

The UK general election attracted huge betting interest as punters sniffed change was in the air. Our political betting website, electionbetting.com, went into overdrive with scores of political betting markets on offer.



Pope My Ride

### Pope My Ride

To coincide with the visit of His Holiness to the UK, we put our very own Pope and Pope-mobile on the streets of Glasgow, Edinburgh and London allowing thousands more fans to get a glimpse of El Papa.

# Getting Started

Chairman's Statement *(continued)*

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## Going Mobile

Paddy Power plc



**pour homme, pour femme,**  
**pour iPhone™, iPad™ & Android™!**





iPad™

iPhone™

Android™

iPhone and iPad are trademarks of Apple Inc  
Android is a trademark of Google Inc



## Going Mobile

May 2010 saw the launch of our iPhone App. We were the only bookmaker - around the world - in the Apple App Store at one stage. In September, the Paddy Power App was the number one most downloaded App in the Irish store. Mobile betting means our customers are only ever one touch away from Paddy Power, whether out and about, at the races or home watching the match.

Hot on the heels of our iPhone offering we also introduced Apps for the iPad and the Android, which is apparently a kind of phone rather than an actual robot. In total, our mobile sports betting turnover increased by over 300% in 2010 and accounted for 19% of total sportsbook stakes by the first two months of 2011.

# Getting Started

Chairman's Statement (continued)

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## *Paddy Power: An International Company*

Almost two thirds of Paddy Power's profits were generated outside of Ireland in 2010. We are the third largest online bookmaker and sixth largest online gaming business in Britain and Ireland and, at the current trajectory, we will have more shops in the UK than Ireland by 2013. The acquisition and growth of Sportsbet and IAS made us the number 1 online corporate bookmaker in Australia. Last week's successful completion of the early buyout of the minority shareholdings in Australia puts further capital at work in this fast growing market. Meanwhile our new B2B activities have seen us expand into France, in partnership with PMU.

## *Paddy Power: An Online Company*

A full year's contribution from our Australian acquisitions is reflected in the results bringing greater visibility to the scale of the Group's online business. Online gross win last year was €250m, an 88% increase over 2009. This level of online revenue, together with the Group's total profit after tax of €97m, gives us a position of scale amongst the top-tier of online betting and gaming operators to fund further online investment. Our position is bolstered by strong momentum and less regulatory complexities than faced by many of our peers.

Evidence of the significant online investment, and the related returns, are clearly visible. Last year, we were at one stage the only bookmaker globally to have an iPhone app in Apple's App Store. We were also at one point the only bookmaker with an iPhone and iPad app in the App Store and an app in the Android Marketplace. We also launched over 100 new online games including a selection for mobile.

Paddy Power has more followers on YouTube, Facebook and Twitter combined than the next five competing bookmakers put together – an illustration of how well the Paddy Power brand works online.

All told, almost three quarters of Paddy Power's profits were generated online last year.

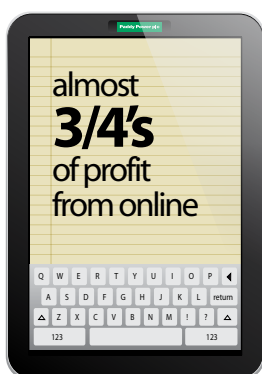
## Taxation

In January 2011, the Irish Government passed legislation extending the 1% tax on Irish retail stakes to online and telephone bookmakers in respect of bets taken in Ireland, effective from a date to be set by the Minister for Finance. We urge the new Government to ensure it can stringently enforce the tax on all operators supplying the Irish market, irrespective of where they are located, before the legislation is implemented. Any failure to enforce in full will lead to companies which employ staff and pay taxes in Ireland being put at a disadvantage in what is a highly competitive market. It is more essential than ever before that Ireland remains an attractive and competitive location to support the expansion of business and the creation of new jobs.

Paddy Power has a demonstrable track record of providing high quality jobs and a major tax contribution to Ireland. The Group paid €42m to the Irish Exchequer last year and the extension of Irish betting tax and employer payroll taxes this year will add some €5m and €2m respectively per annum to this. Last year, Paddy Power created 121 jobs in Ireland, as well as announcing plans to increase its Irish employees by 500 to 2,210 by 2013 driven by its international expansion. A further 900 new jobs are expected to be created outside of Ireland by 2013.

## The Board

William Reeve joined the board as a non-executive director last May. William is an online entrepreneur and has founded, led and guided many successful online businesses. William's understanding of the online market place and his track record of delivering consumer concepts via the internet has already been of substantial assistance to Paddy Power as it continues to grow its online businesses.





**IMPORTANT:**

Sportsbook amounts staked are up 16% and total gross win is up 38% in the first two months of 2011.

### Financial Position and Dividends

Profit growth at Paddy Power converts strongly into increased cash flow. Last year, operating cashflow (after maintenance capex and LTIP trust share purchases) was €142m, or 111% of headline EBITDA.

Strong cash generation has been used to fund investment and increase cash returns for shareholders, whilst still leaving the Group with a strong balance sheet and flexibility for expansion. Net cash at 28 February 2011, less cash expenditure of AUD123m (€91m) related to the Sportsbet acquisition, remained strong at €87m or €47m excluding customer balances.

The Board is proposing to increase the final dividend by 29% to 50.0 cent per share. This would bring the total dividend in respect of 2010 to €36.4m or 75.0 cent per share, an increase of 28% on 2009.

### Outlook

The year has started well. Turnover growth and sporting results have been strong, notwithstanding Australia being affected by severe adverse weather. Sportsbook amounts staked are up 16% and total gross win is up 38% in the first two months (in constant currency versus the same period last year). This reflects the strong momentum in the Group, as well as a weak 2010 comparable. The Group looks forward to 2011 and beyond with confidence.

**Nigel Northridge**  
*Chairman*

4 March 2011