

Paddy Power plc

**Acquisition of 51%
of Australian Bookmaker**

Sportsbet

14 May 2009

SportsBET
sportsbet.com.au

Introduction - A Major International Expansion

- Acquisition of 51% stake in Sportsbet for a max of AUD58.5m (€32.8m) *
- Strong position in a regulated, fast-growing, English speaking market
- Proven top quality local management
- Transaction structure attractive and low risk

** At approximate current exchange rate of 0.56 used throughout presentation*

Australian Market

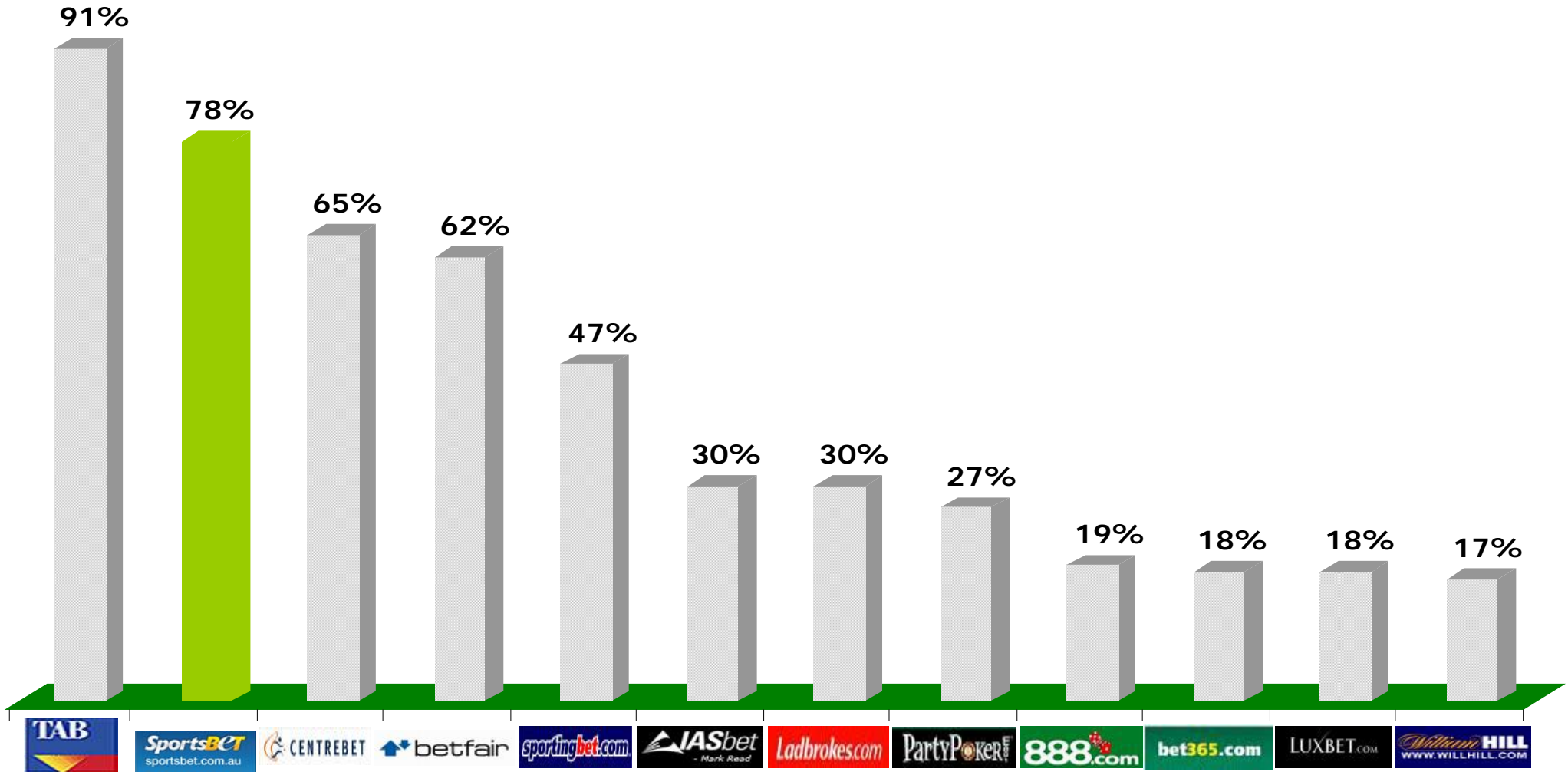
- A large, regulated, growing market
- Market structure evolving from incumbent tote operators towards consumer led "*corporates*"
- Online is an emerging and growing market
- Encouraging macro backdrop from growth in broadcast of live sport and broadband usage
- Advertising recently legalised

Process To Date

- Senior managers first visited market in 2007
- Many visits since then
- Senior executive full time in Australia for last year
- Substantial market research performed
- Financial, operational, technology and legal due diligence completed

Sportsbet.com.au - Market Leading Corporate Bookmaker

Brand Awareness



Sportsbet

AUDm	y/e June 2008	y/e June 2009 (f)
Turnover	878.0	956.0
Gross Win	42.0	58.0
EBITDA	7.9	14.6

- Sportsbet has operated in Australia for more than 15 years
- Historically a high stake telephone business, it is now materially internet driven. In 6 months ended 31 Dec. '08 more than 90% of gross profit was derived from sportsbet.com.au
- It has aggressively embraced the opportunity to advertise and is the clear leader as a brand led independent bookmaker in Australia
- It also holds a 19.98% stake in International All Sports (IAS), an ASX listed corporate bookmaker, current market value of investment c. AUD5m

Strong Momentum

- Sportsbet has aggressively marketed since the change in regulations
- In 9 months to 31 March 2009, y-o-y growth is very strong:
 - online active customers up 72%
 - online turnover up 35%
- Forecast y/e 30 June 2009 EBITDA is 85% y-o-y growth

Regulation

- Sportsbet licensed by the Northern Territory Racing Commission
- Betting “in running” legal on phones but not online
- Online poker, casino and games not legal
- Online betting terminals being trialled in bars
- Competition from individual states may lead to lower betting duty – should offset product fee pressure

Initial Transaction – Attractive And Low Risk

AUDm	Sportsbet y/e June 09 forecast	Proforma at Earnout Target
EBITDA	14.6	16.5
Enterprise Value (EV)*	90	110
EV/EBITDA	6.2x	6.7x

**EV shown exclusive of market value of IAS holding*

- PP to pay AUD48.5m upfront (€27.2m) for 51% stake
 - Cash payment of €25.7m plus 100,000 Paddy Power shares
- Extra AUD10m (€5.6m) payable in early 2010, if 2009 calendar EBITDA >AUD16.5m
- Consideration readily funded from PP's €96m current cash balance, with future flexibility still maintained

Ongoing Structure - Attractive and Low Risk

FLOOR

- If in any y/e 30 June 2010-12 Sportsbet EBITDA is less than AUD11m PP can claw back shares proportionately
- Example: if Sportsbet makes AUD9.9m in 2010 (a 10% underperformance against the Floor) PP will receive 4.9% of Sportsbet for no cost

FINAL EARNOUT

- PP will have option to acquire the remaining 49% shareholding in Sportsbet in either 2012 or 2013
- Multiple of 5 – 7 times final year EBITDA, depending on EBITDA level
 - EBITDA < AUD20m : 5x
 - EBITDA > AUD42m : 7x (subject to max payment of AUD245m)
 - Straightline between 5x and 7x
- If PP option expires, Sportsbet minority shareholders have an option to buy PP's holding and if their option expires the business is sold

Partnership

- Proven management team
- Matthew Tripp to remain as CEO
- PP will have voting majority with 4 Board seats, including Patrick Kennedy and Breon Corcoran (Chairman)
- PP managers to join and complement Australian team
- Australian business will benefit from PP's marketing, e-commerce and risk and product expertise
- PP will benefit from Sportsbet's Australian product and other expertise

Paddy Power Trading Update

- **Strong 2008; headwinds in 2009 projected to reduce profits**
- **Satisfied with progress and momentum YTD, comfortable with 2009 consensus for existing businesses**
- **Growth in Sportsbook amounts staked has accelerated significantly:**
 - Non Retail +31%, Retail +1% (CC)
 - Acceleration from momentum, recycling, cancellations
 - Offsets impact of adverse sporting results
- **Growth in gaming and machine gross win (CC): +9%**
- **The Board remains confident of the Group's prospects**

Conclusion

- **Market Leadership** Leading online corporate bookmaker
- **Growth** Fast growing legal market with strong betting culture
- **Strong Management** Best and proven Australian management team
- **Attractive Structure** Attractive valuation, substantial protection
- **Diversification** Third material geographic region for PP
- **Potential** Significant upside