25 August 2010

Paddy Power plc

2010 Interim Results Announcement

Paddy Power plc today announces interim results for the six months ended 30 June 2010 ('the period').

Highlights:

- Profit before tax growth of 54% to €52.5m and underlying diluted EPS growth of 31% to 82.2 cent;
- Substantially increased online scale with gross win up 117% to €112m and operating profit up 66% to €36.1m (73% of Group operating profit);
- Strong organic growth online (excluding Australia) with gross win up 45% to €75m and operating profit up 33% to €29m;
- Strong Australian performance with online gross win up 45% and operating profit of €7.9m (EBITDA AUD14.0m);
- Successful commencement of B2B activities in France;
- A six-fold increase in UK Retail operating profit to €3.0m with like-for-like EBITDA per shop in Great Britain up 27% to £71,000 and 22 shops opened in the year to date;
- Continued geographic diversification with 43% of Group operating profit from UK customers, 39% from Irish customers and 16% from Australian customers;
- A 28% increase in the interim dividend to 25.0 cent per share, supported by a strong balance sheet with net cash of €110m at period end;
- An exceptional World Cup tournament generating total gross win of €18m (€12m in the period), a more than four-fold increase versus Euro 2008 and World Cup 2006.

Commenting on the results Patrick Kennedy, Chief Executive, Paddy Power plc, said:

"It has been a great first half for Paddy Power, marking significant strategic and financial progress.

The Group's strengths - product innovation, better value for customers and brand differentiation - position us well for further growth. We have significantly strengthened our online market position, ending the period with greater scale, more customers and enhanced capabilities, as well as substantially higher profits, compared to a year previously. At the same time, we continued to expand internationally, whilst increasing market share in retail.

Since 30 June, our online businesses and UK Retail have continued to grow strongly while our Irish Retail and Telephone channels have performed solidly. Accordingly, we expect to exceed the current market consensus forecast for the year."

ENDS

25 August 2010

Issued on behalf of Paddy Power plc by Drury.

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Analyst Briefing:

The Company will host an analyst presentation at 9:00am this morning at the Merrion Hotel, Upper Merrion St, Dublin 2. A conference call facility will also be available. To dial into the presentation, participants in the UK should dial 0208 974 7900, all other participants should dial +44 208 974 7900. The passcode is 629097.

A presentation replay facility will be available for 21 days. To dial into the replay, callers from the UK should dial 0800 032 9687; all other callers should dial +44 207 136 9233. The passcode is 69363353.

2010 Interim Financial Highlights
For the six months ended 30 June 2010

	Six months ended 30 June 2010 *(unaudited)*	Six months ended 30 June 2009 (unaudited)	% Change	*Constant Currency ('CC') % Change **
	€m	€m		
Amounts staked by customers **				
Online (ex Australia)	**540**	431	+25%	*+23%*
Online Australia ***	**593**	-	na	*na*
Irish Retail	**476**	475	+0%	*+0%*
UK Retail	**132**	91	+45%	*+41%*
Telephone (ex Australia)	**151**	151	-1%	*-2%*
Total amounts staked	**1,892**	1,148	+65%	*+63%*
Income **	**€'000**	**€'000**		
Online (ex Australia)	**74,911**	51,595	+45%	*+42%*
Online Australia ***	**41,824**	-	na	*na*
Irish Retail	**55,475**	56,643	-2%	*-2%*
UK Retail	**23,999**	16,838	+43%	*+38%*
Telephone (ex Australia)	**9,398**	7,615	+23%	*+21%*
Total income	**205,607**	132,691	+55%	*+53%*
Operating profit / (loss)				
Online (ex Australia)	**29,034**	21,815	+33%	*+28%*
Online Australia ***	**7,856**	-	na	*na*
Irish Retail	**9,040**	11,697	-23%	*-22%*
UK Retail	**2,956**	460	+543%	*+339%*
Telephone (ex Australia)	**568**	(446)	na	*na*
Total operating profit	**49,454**	33,526	+48%	*+43%*
Underlying diluted earnings per share ****	**82.2c**	62.6c	+31%	*na*

* The constant currency % change is calculated on the basis of the foreign currency content in 2009 translated at 2010 rates.

** Amounts staked by customers (or 'turnover') represents bets placed on sporting events that occurred during the period and net winnings, commission income and fee income earned on gaming and other activities. Income (or 'gross win') represents the net gain on sports betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at period end plus net winnings, commission income and fee income earned on gaming and other activities.

*** Australia also includes legacy telephone operations accounting for less than 10% of gross and operating profit in H1'10.

**** H1'10 excluding gains re Sportsbet buyout call option valuation (€3.1m) and UK deferred tax asset recognition (€0.9m).

INTERIM STATEMENT

Introduction

I am pleased to report on an excellent first half of 2010 ('the period') for Paddy Power with the following highlights:

- Profit before tax growth of 54% to €52.5m and underlying diluted EPS growth of 31% to 82.2 cent;
- Substantially increased online scale with gross win up 117% to €112m and operating profit up 66% to €36.1m (73% of Group operating profit);
- Strong organic growth online (excluding Australia) with gross win up 45% to €75m and operating profit up 33% to €29m;
- Strong Australian performance with online gross win up 45% and operating profit of €7.9m (EBITDA AUD14.0m);
- Successful commencement of B2B activities in France;
- A six-fold increase in UK Retail operating profit to €3.0m with like-for-like EBITDA per shop in Great Britain up 27% to £71,000 and 22 shops opened in the year to date;
- Continued geographic diversification with 43% of Group operating profit from UK customers, 39% from Irish customers and 16% from Australian customers;
- A 28% increase in the interim dividend to 25.0 cent per share, supported by a strong balance sheet with net cash of €110m at period end;
- An exceptional World Cup tournament generating total gross win of €18m (€12m in the period), a more than four-fold increase versus Euro 2008 and World Cup 2006.

Sporting Results and Trading

The one constant with the impact of sporting results is that it's never constant. As ever, our financial performance is subject to the glorious unpredictability of sport. Overall though, we finished up a little ahead of our normal expectations and certainly a good deal better than where we were last year.

The first race of the Cheltenham festival was almost sure to go in favour of Paddy Power punters – Dunguib was the unbeatable Irish banker of the week and we were offering money-back on all losing bets in the race if - as expected - he romped merrily home. A win for Dunguib, or indeed any other fancied horse in the race, therefore was going to hurt – it was just going to be a question of how much. Miraculously, victory for the relatively unfancied 12/1 Menorah saw us escape pretty much unscathed and set the tone for a great week for bookies. Other favourable results around the same time included the Sydney Autumn Racing Carnival where only four of the 18 Group 1 races were won by the favourite.

The ebb and flow of sports results continued. After suffering last year as a result of Irish rugby's clean sweep of Northern Hemisphere silverware, we managed to keep a few shillings in the biscuit tin this season as Irish teams lost their Grand Slam, Heineken Cup and Magners League titles.

In June, we had simultaneous swings and roundabouts, as money rolled in from unexpected results in the World Cup and rolled out to Royal Ascot punters. Thankfully for us the World Cup is longer than posh week at Ascot and we came out net ahead, taking stakes of €86m on the tournament (€60m in the period) and gross win of €18m (€12m in the period). If it hadn't been for the constant drone of the vuvuzelas and – even worse – Mark 'Lawro' Lawrenson, we'd have really enjoyed it.

While marquee sporting events create potential volatility, they represent great opportunities to give full expression to Paddy Power's brand values. So whether it was through an uber-generous Money-Back Special, a 50 foot 'Hollywood style' Paddy Power sign on the Cheltenham hill or going 'best-price' England for World Cup games, Paddy Power's commitment to value, fun and entertainment was showcased. This approach pays back handsomely as evidenced by our UK brand awareness breaking into a Top 3 position and the 52% growth in our active UK online customers.

ONLINE

Online activities account for approximately three quarters of Paddy Power's operating profit. The Group has a consistent track record of growing online profits in regulated markets, organically within Ireland and the UK, and more recently through acquisitions in Australia and B2B expansion in France. We will continue to leverage our experience and capabilities to exploit the substantial opportunities for growth within our existing markets and new opportunities, for example as further markets regulate. Worldwide the Group generated the following results online:

€m	**H1 2010**	**H1 2009**	**% Change**	**% Change in CC**
Sportsbook gross win	77.3	26.6	+190%	+184%
Gaming & other gross win	34.4	25.0	+38%	+36%
Total gross win	**111.7**	**51.6**	**+117%**	**+112%**
Operating profit	**36.1**	**21.8**	**+66%**	**+59%**
% of Group operating profit	73%	65%		
Active customers	**588,050**	**337,579**	**+74%**	

(Active customers are defined as those who have bet in the reporting period, excluding indirect B2B customers)

ONLINE DIVISION (Excluding Australia)

€m	**H1 2010**	**H1 2009**	**% Change**	**% Change in CC**
Amounts staked	540.5	430.9	+25%	+23%
Sportsbook gross win	40.5	26.6	+52%	+49%
Sportsbook gross win %	*8.0%*	*6.6%*		
Gaming & other gross win	34.4	25.0	+38%	+36%
Total gross win	**74.9**	**51.6**	**+45%**	**+42%**
Gross profit	65.1	44.2	+47%	+44%
Operating costs	(36.1)	(22.4)	+61%	+60%
Operating profit	**29.0**	**21.8**	**+33%**	**+28%**

The online division (excluding Australia) grew its profits by 33% in the period to €29m (or by 28% in constant currency excluding a €0.9m benefit from positive exchange rate movements). An improvement in sports results contributed to this increased profit but sportsbook stakes and gaming gross win also grew substantially by 23% and 36% respectively in constant currency. Active customers increased by 41% with particularly significant acquisition in June which bodes well for the second half of the year. After negligible operating cost growth in 2009, costs have increased by 61% as a result of revenue growth and investment in a wide range of areas to drive future growth. These include:

- Increased investment in proven initiatives such as streamed live sports online, terrestrial TV advertising in the UK and enhanced gaming promotions;
- Exploiting new opportunities such as the potential from pay-per-click advertising, smart phone usage and newly regulating geographies;
- People costs linked to direct volume growth, a step-up in our infrastructure in areas such as B2B and IT, and performance related pay.

Overall, we have significantly strengthened our market position, ending the period with more customers, more scale and more capabilities, as well as significantly higher profits, compared to a year previously.

Online Channel Active Customers	**H1 2010**	**H1 2009**	**% Change**
UK	343,811	226,670	+52%
Ireland and Rest Of World	132,330	110,909	+19%
Total	**476,141**	**337,579**	**+41%**

Online Customers Product Usage	**H1 2010**	**H1 2009**	**% Change**
Sportsbook only	286,686	210,004	+37%
Gaming only	52,609	44,609	+18%
Multi product customers	136,846	82,966	+65%
Total	**476,141**	**337,579**	**+41%**

(Active customers are defined as those who have bet in the reporting period, excluding indirect B2B customers)

(A) Sportsbook

The amounts staked on the sportsbook increased by 23% in constant currency to €506m. Within this, bet volumes grew 46% to 30.8m while the average stake per bet decreased by 16% in constant currency to €16.45. The reduction in average stake per bet is due to the significant growth in active customers and more challenging economic conditions. Sportsbook gross win increased by 49% in constant currency.

This growth was helped by a rebound in the gross win percentage to 8.0%, the upper end of our normal expected range of 7.0% to 8.0%. This improvement was despite our biggest ever Money-Back Special refund being triggered in the period when England drew 0:0 with Algeria. This was actually topped only a few weeks later (ouch!) when Spain and Holland finished 0:0 and over 25,000 online customers received their losing stakes back (and over 50,000 customers across the Group). We thought it was a good idea at the time, but looking back now it seems as well-judged as the Capello Index! The upside, of course, is the cementing of customer loyalty and generation of further brand awareness.

We continue to leverage our scale and expertise to enhance our product offering. In the period, we invested heavily in sports product development and infrastructure, maintaining a product offering at the forefront of the industry, whilst producing robust margins with relatively low volatility. Live betting was further enhanced by the extension of live streaming pictures to our UK customers and a customisable view of in-running betting markets. For mobile phone betting, we added an iPhone web application and mobile games, achieving a ten-fold increase in mobile sports bets during the World Cup as compared to Euro 2008.

Our leadership of non-traditional betting markets generated unusual opportunities for punters to test their predictive powers or hedge themselves against adverse events such as flight disruption from volcanic ash, ITV showing an ad during a World Cup match or David Cameron becoming Prime Minister. We paid out early on the latter market, projecting a 100 square foot announcement onto the Houses of Parliament in Westminster, adding to the chatter and press coverage that such entertaining and differentiated betting markets generate.

(B) Gaming & Other

Gaming and other revenue increased by 36% in constant currency to €34m driven primarily by Games, Casino and Bingo. Significant enhancement to the quality of our gaming offer and promotions expertise encouraged us to conduct more direct customer acquisition for gaming with TV advertisements run for the first time for both Games and Bingo in June.

Growth in the sportsbook is a key potential driver for Games and Casino growth. To leverage that opportunity, significant investments have been made in expertise, analysis and technology to tailor cross-selling, ongoing promotional offers and product presentation to the preferences of players, both initially and as they may evolve over time. Progress in this area is highlighted by the 65% increase in active multi product customers.

Game choice is also a keen consideration and 51 games were added in the period to give a selection of 171. Paddy Power benefited from a competitive market amongst technology suppliers with over a dozen suppliers used across Games and Casino, helping us to achieve ‘best of breed’ product for our customers and flexible competitively priced supply. The Paddy Power creative stamp is also applied to customised themed slots throughout the year with ‘Political Spin’ available during the UK general election, ‘WAGS to Riches’ during the World Cup and ‘Tiger’s Birdies’ during the British Open.

Our Poker business continues to perform well relative to its peers but faces ongoing challenges from sites taking play from the U.S. In this context, we were pleased to grow active player numbers helped by our sportsbook growth, an enhanced site and another successful Irish Open Poker Tournament which attracted record player numbers.

Our Bingo business continues to make significant strides with successful TV and Facebook marketing campaigns, as well as the launch of the first Ezine in the UK Bingo market. Paddy Power Trader also grew revenues and profits despite the challenge of tightening spreads in a competitive UK market.

Our B2B agreement to supply sportsbook risk management and pricing expertise to PMU for the French market went live on schedule on 9 June. Successful live operation further enhances our credentials established by winning such a prestigious first client. We continue to engage on other appropriate opportunities to access new geographies on an attractive risk reward profile via B2B arrangements.

ONLINE AUSTRALIA DIVISION

€m	**H1 2010**
Amounts staked	593.1
Gross win	**41.8**
Gross win %	*7.1%*
Gross profit	31.0
Operating costs	(23.1)
Operating profit	**7.9**
Active Customers	113,641

(Active customers are defined as customers who have bet with Sportsbet or IAS in the reporting period)
(The division also includes legacy telephone operations accounting for less than 10% of gross and operating profit in the period)

Australia generated strong financial results in the period.

In constant currency versus pro-forma comparatives, the amounts staked grew by 21% overall and by 29% online, on bet volumes up 41% overall and 43% online. Gross win increased by 21% overall and by 45% online. The sportsbook gross win percentage of 7.1% was marginally ahead of 7.0% in the comparative period and our expectations. Active customers were up 56% in the period as compared to the equivalent period in 2009, with growth of 84% in active customers of our mass market online brand, sportsbet.com.au.

The Sportsbet brand holds a clear leadership position versus other online corporate bookmakers; however when the online share of the TABs (the licensed retail monopolies) are added, our share is lowered, leaving substantial scope for growth. In addition, we expect the online market to continue to grow strongly, driven by the same macro drivers we have seen elsewhere, plus the attraction of the better value and choice available online compared to the offering of the retail monopolies.

June saw the publication of the Productivity Commission ('PC') Final Report on Gambling and a judgement in the Sportsbet versus Racing New South Wales ('RNSW') case. The PC is an independent research and advisory body tasked with helping the Australian government create better policies. It recommended that the Government legalise and regulate online poker, although the Government did not support the recommendation. The report also recommended that 'TAB retail exclusivity should not be renewed' and Sportsbet is continuing its evaluation of the Sportsbet 'Betbox' branded online access terminals.

In the RNSW case, Sportsbet successfully argued that the 'product fees' as payable to the NSW racing industry were protectionist and therefore constitutionally invalid. This judgement, together with related PC recommendations, significantly strengthen Sportsbet's calls for product fees to be calculated as a percentage of gross win (rather than turnover) and to be paid by all betting providers. RNSW has lodged an appeal.

In February, Paddy Power acquired a further 9.8% of Sportsbet, increasing its shareholding to 60.8%, through the buyout of a minority shareholder who had no executive involvement in the business. Earlier this month, reflective of the strong performance of the Australian business since acquisition, we paid the maximum contingent consideration of AUD10m (€7.0m) to the minority shareholders.

RETAIL

Both our Irish and UK businesses are well positioned, despite the challenging retail environment. Both businesses have grown their market share during the downturn as more price and brand conscious consumers respond to the value and quality of our offer. At the same time, the businesses are managing their own costs extremely tightly and using the downturn as an opportunity to negotiate savings from suppliers.

In Irish Retail, this strategy is deployed against a backdrop of a particularly difficult market where the recession is severe and the supply of shops had grown very substantially up to 2008. This is of course challenging for performance in the short term but the strength of the Paddy Power offer puts us in an excellent position to emerge from this recession with a stronger market position. We estimate that our competitors have closed 155 shops over the last two years and that there are currently approximately 1,200 shops in the industry.

In UK Retail, Paddy Power's market position is very different and its growth prospects are strong. We have a less than 2% share in a market of almost 9,000 shops. We continue to grow our estate selectively and steadily, opening 14 shops in the period and a further eight since, taking our estate to 115 today. Given the economic downturn, we continue to benefit from an exceptional choice of locations for organic openings and on occasion, attractive acquisition opportunities, with six shops bought over two transactions in the year to date. We remain on track to achieve our target of at least 150 shops in the UK in 2011. As projected, UK Retail profits have now started to grow significantly, up €2.5m to €3.0m in the period compared to last year, and we expect further benefits over time from new and maturing shops, lower per shop depreciation and increased scale to cover central overheads.

Product enhancement and innovation continues across our estates. All our shops now offer the facility for online and telephone customers to deposit or withdraw cash from their Paddy Power account.

IRISH RETAIL DIVISION

€m	**H1 2010**	**H1 2009**	**% Change**
Amounts staked	475.9	474.7	+0%
Gross win	**55.5**	**56.6**	**-2%**
Gross win %	*11.7%*	*11.9%*	
Gross profit	50.6	51.7	-2%
Operating costs	(41.6)	(40.0)	+4%
Operating profit	**9.0**	**11.7**	**-23%**
Shops at period end	203	195	+4%

The amounts staked within Irish Retail increased marginally to €476m. Gross win fell by 2% to €55m, with a gross win percentage of 11.7%, just slightly below the 12.0% mid-point of the expected range, reflecting retail's higher racing (Ascot) and lower football (World Cup) content within its mix versus online. We opened five new shops in the period, including one acquisition. Excluding the impact of new shops, like-for-like amounts staked were down 3%, gross win was down 5% and operating costs up 1%. The reduction in stake was driven entirely by a fall in average stake per slip of 10% to €18.61 with an encouraging 7% increase in like-for-like bet volumes.

UK RETAIL DIVISION

€m	**H1 2010**	**H1 2009**	**% Change**	**% Change in CC**
Amounts staked	131.9	91.2	+45%	+41%
OTC gross win	14.0	10.6	+32%	+28%
Sportsbook gross win %	*11.5%*	*12.5%*		
Machine gross win	10.0	6.2	+60%	+55%
Total gross win	**24.0**	**16.8**	**+43%**	**+38%**
Gross profit	20.4	14.1	+45%	+40%
Operating costs	(17.4)	(13.6)	+28%	+26%
Operating profit	**3.0**	**0.5**	**+543%**	**+339%**
Shops at period end	107	80	+34%	

(Machine gross win above and throughout this statement excludes VAT at 17.5% in 2010 and 15% in 2009)

UK Retail profits increased six-fold to €3.0m in the period. Shop openings were, as expected, the key driver of this growth but we also had a strong end to the period from the introduction of new 'Storm' FOBT machines, the World Cup and stronger sterling (which added approximately €0.2m to profit in the period).

In constant currency, turnover grew 41% to €132m, while gross win increased by 38%. Like-for-like gross win grew 6% in constant currency. This comprised machine growth of 14% and over-the-counter ('OTC') growth of 0.4% on like-for-like OTC turnover up 6%. The average OTC stake per bet was broadly unchanged in constant currency at €15.82.

There were 424 machines installed at 30 June, an increase of 108 compared to 30 June last year as a result of new shop openings. The average gross win per machine per week including VAT was £992, an increase of 17% compared to the first six months of 2009.

Operating costs grew 26% in constant currency driven by a 34% increase in average shop numbers. Like-for-like costs were up 0.7% including development and other central overheads.

The 14 new shops opened in the period, including one acquisition, averaged a capital cost per unit of €263,000 (£229,000) including lease premia. EBITDA per shop in Great Britain (excluding current period openings and central overheads) averaged €80,000 (£71,000) in the period, an increase of 27% in constant currency.

The increase in UK VAT to 20% from January 2011 will reduce the Group's profits by approximately €1.0m at current levels of activity. Approximately €0.5m of this amount arises within UK Retail.

TELEPHONE DIVISION (Excluding Australia)

€m	**H1 2010**	**H1 2009**	**% Change**	**% Change in CC**
Amounts staked	150.6	151.5	-1%	-2%
Gross win	**9.4**	**7.6**	**+23%**	**+21%**
Gross win %	*6.2%*	*5.0%*		
Gross profit	9.3	7.6	+23%	+20%
Operating costs	(8.7)	(8.0)	+9%	+8%
Operating profit / (loss)	**0.6**	**(0.4)**	**na**	**na**

The Telephone channel remains an integral part of our full service offer to customers.

A closer to normal gross win percentage restored the channel to profitability. The amounts staked decreased by 2% in constant currency. Bet volumes grew strongly by 21% to 2.7m, driven by growth in active customers of 14% and increased bets per customer of 6%. The average stake per bet decreased by 19% in constant currency to €56.45 due to the weak economic conditions and the impact of attracting incremental but smaller than average sized bets from some customers.

Operating costs grew by 8% in constant currency driven by the 21% growth in bet volumes and new customer acquisition costs, particularly in the UK market where active customers increased by 23%. Many new phone customers go on to also bet with Paddy Power online boosting the overall return on acquisition spending.

The strong performance in the UK kept turnover broadly flat despite an extremely difficult Irish market. Turnover from Irish customers was down 15% in the period versus the first half of 2009 and 34% versus the first half of 2007, driven by reductions in average stake per bet.

Telephone Channel Active Customers	**H1 2010**	**H1 2009**	**% Change**
UK	36,260	29,505	+23%
Ireland and Rest Of World	19,025	19,062	0%
Total	**55,285**	**48,567**	**+14%**

(Active customers are defined as those who have bet in the reporting period)

Corporation Tax

Following the strong performance in UK Retail, a deferred tax asset in respect of accumulated losses in Great Britain was recognised in the period. This reduced the tax charge by €885,000 in the period with an expectation that a similar credit will arise in the second half of 2010. Excluding this credit and the €3,106,000 gain on the valuation of the Sportsbet buyout call options, the underlying effective tax rate was 15.8% as compared to 13.3% in the first half of 2009. The increased rate is a result of the addition of Australian profits to the mix which are subject to corporation tax at 30%.

Betting Tax

Last year, the Irish Government postponed its planned doubling of the retail betting tax to 2% of turnover. This postponement was 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'. In May, the Taoiseach stated that the Government will introduce legislation to extend betting tax to all those providing online and telephone betting and so underpin funding for the racing industry. We have consistently said that we do not have an issue paying betting tax on Irish internet betting. Our issue is the likelihood that such a betting tax will in practice be difficult to enforce against foreign operators, thereby giving them a competitive advantage and creating in effect a tax on Irish 'smart economy' jobs. We also question the flimsy link which has been made between funding for Irish racing, primarily for prize money for owners, and betting tax – flimsy, because 86% of the amount bet by Irish customers online and over the telephone in the period had nothing to do with Irish racing. We employ 700 people in our online, telephone and head office activities in Tallaght, West Dublin, and these activities contributed €19m in taxes to the Irish Exchequer in 2009; this contribution is potentially threatened by any new betting tax which is not effectively enforced on all internet bookmakers and betting exchanges providing services to the Irish market.

In the UK, tax and related developments which became effective in September 2007 significantly reduced the cost of betting tax and other deductions in the Online and Telephone divisions. The reduced costs apply from that date and beyond so long as this situation remains unchanged. The consultation by the Department for Culture, Media and Sport in the UK to introduce new license requirements for overseas-based online firms providing services to UK consumers was completed in June. This initiative was launched by the previous UK Government and no formal updates have been announced by the new administration.

Financial Position and Dividend

At the end of the period, the Group had net cash of €110m. This was net of non-recourse debt of €15m in our Australian subsidiaries. Customer balances reflected within net cash were €39m.

The Group has retained a prudent capital structure in order to be in a strong position to exploit the investment opportunities available to it. These include the option to buy out the minority shareholders in Australia in 2012 or 2013 at an EBITDA multiple of 4 to 7 times, subject to a maximum payment of AUD196m (€137m).

The Board also recognises the value to shareholders of increasing dividends. Accordingly, notwithstanding the substantial growth in profits in the period, the Board intends to maintain an underlying dividend payout ratio towards the top of our 40% to 50% payout range in the current year. It has therefore decided to pay an interim dividend of 25.0 cent, an increase of 28% compared to last year. The total expected interim dividend is €12.0m payable on 24 September to shareholders on the register at the close of business on 3 September.

Principal Risks and Uncertainties for the remainder of the period

The principal risks and uncertainties facing the Group remain those disclosed within the Directors' Report on page 34 of the Group's 2009 Annual Report. The most relevant risks and uncertainties for the remainder of the period are:

- A material change in betting tax or payments to horseracing bodies in the UK, Ireland or Australia;
- A materially adverse run of sporting results and/or fixture cancellations;
- A material worsening of economic conditions and/or an increase in their impact on our businesses;
- A very significant weakening of sterling against the euro.

Outlook

Since 30 June, sportsbook gross win percentages have been above the mid-point of the expected ranges. In addition, our online businesses and UK Retail activities have continued to grow strongly as a consequence of investment and momentum in the first half of the year. Our Irish Retail and Telephone business have continued to perform solidly. Accordingly, we would expect to exceed the current market consensus forecasts and achieve underlying diluted EPS growth in 2010 of up to 30% versus 2009, subject, as ever, to the volatility that could arise from sporting results over the remainder of the year.

The Group remains well positioned across its businesses and looks to the future with confidence.

Nigel Northridge
Chairman

24 August 2010