26 August 2015

Paddy Power plc
2015 Interim Results Announcement

Operating Profit Up 33%, or 68% in constant currency before New Taxes & Product Fees

Paddy Power plc ('the Group') today announces interim results for the six months ended 30 June 2015 ('the period').

Group Highlights:

- Operating profit growth of 33% to €80m, or 68%[1] before €32m in new taxes and product fees;
- Net revenue up 25% with strong double digit growth across all Online and Retail divisions;
- Diluted EPS up 31% to 144.8 cent;
- €391m returned to shareholders through B Share Scheme;
- Interim dividend up 20% to 60.0 cent per share;
- Substantial strategic progress with product enhancements, new marketing campaigns and efficiency gains.

Online Highlights:

- Net revenue growth of 34% to €345m, with sportsbook up 42% and eGaming up 14%. Operating profit up 45% to €70m:
    - Online (ex Australia): net revenue up 26% to €200m with sportsbook up 37% and eGaming up 14%. Operating profit increased by 21% to €31.6m, despite €28m in new taxes;
    - Online Australia: Sportsbet is now the largest online brand in Australia, driven by accelerated market share growth with sportsbook net revenue up 46% to €151m and stakes up 37%. Operating profit increased 69% to €38.8m;
- Substantial operational improvements in Italy, where net revenue grew by 24%, and operating costs fell by 19%. Operating loss reduced by €4.2m to €4.7m;
- Mobile net revenue accounted for 67% of online revenue, with 78% of active customers transacting via mobile.

Retail Highlights:

- UK Retail net revenue up 21% (9% like-for-like). Operating profit up 3% to €12.0m despite €2m of additional Machine Gaming Duty and the negative impact of new machine regulation. Estate now 336 shops with a net 13 units opened in the period;
- Irish Retail net revenue up 14% (10% like-for-like). Operating profit up 36% to €10.6m. Estate now 252 shops with 7 units opened in the period.

Outlook:

- Full year 2015 reported operating profit expected to be ahead of 2014 and the consensus market forecast.

Andy McCue, Chief Executive, Paddy Power plc, said:

"Paddy Power has delivered a very strong performance in the first half with net revenue up 25% in constant currency and operating profit up 33%. Underlying operating profit was up 68% excluding the impact of new taxes and product fees. While this performance was broadly based across all our online and retail divisions, Australia has been the standout with reported operating profit up 78%.

We have made substantial progress implementing the strategy we set out in March, with further payback to come from new mobile product releases, refreshed marketing campaigns and efficiency gains. We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast."

[1] *This and subsequent growth percentages in this narrative (other than for EPS) are in constant currency, as compared to the equivalent period in the prior year, unless otherwise stated. The financial tables include both nominal and constant currency growth percentages.*

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Analyst Briefing:

The Company will host an analyst presentation at **9:00am** this morning at Paddy Power plc, Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4. A conference call facility will also be available. To participate in the conference call please dial 01296 480 100 from the UK, (01) 242 1074 from Ireland, +1 718 3541 175 from the USA and +44 1296 480 100 from elsewhere. The passcode is **549463**.

A presentation replay facility will be available for 21 days. To listen to the replay, callers from the UK should dial 0207 136 9233 or 0800 032 9687, and all other callers should dial +44 207 136 9233. The passcode is 4264 8821.

GROUP

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	4,316	3,422	+26%	+18%
Sportsbook gross win %[2]	*9.7%*	*9.1%*		
Sportsbook net revenue %[2]	*9.0%*	*8.4%*		
Net revenue	**527.8**	**396.5**	**+33%**	**+25%**
Gross profit	398.3	320.6	+24%	+17%
Operating costs	(318.3)	(260.5)	+22%	+16%
Operating profit	**80.1**	**60.1**	**+33%**	**+19%**
Profit before tax	80.5	61.6	+31%	+17%
EBITDA	106.1	83.7	+27%	+17%
EPS, diluted	**144.8 cent**	**110.6 cent**	**+31%**	**+16%**
Interim dividend	60.0 cent	50.0 cent	+20%	
Net (debt)/cash at period end[3]	**(€147m)**	**€175m**		

Group net revenue was up 25%, with strong double-digit growth across all Online and Retail divisions. While sports results improved slightly, relative to the comparative period last year, some freakish results in our Telephone channel in particular, held back overall Group performance in the period. Operating profit increased by 33% in nominal terms or by 68% in constant currency before taking account of €32m[4] in new taxes and product fees.

Strategic Update

We are making substantial progress implementing our strategy, and are looking forward to the benefits of new mobile product releases, refreshed marketing creative and efficiency gains over the balance of this year and beyond.

Product Differentiation

We fundamentally reorganised our structure and reappraised our priorities for product development at the start of the year. This has seen us take a global approach to product delivery, with significant development progressing in Dublin, Sofia and Melbourne, which is prioritising in-house developed, intuitive and innovative product. These changes have resulted in a number of product enhancements which contributed to growth during the period. We are particularly looking forward to new proprietary mobile platform releases on *paddypower.com,* to come to market over the next three months:

- Native iOS app, designed specifically to provide the optimal customer experience for iPhone betting;

- HTML5 web app, replacing our current Android and iOS web apps, created using the leading framework for mobile development.

Research consistently demonstrates that ease and speed of use are the top two drivers of customer satisfaction when it comes to mobile apps. These two new initiatives will deliver significant design and navigation improvements to enhance the customer's experience, with faster, easier and more responsive betting, for example, by halving the number of taps from app launch to placing a pre-match bet.

Having proprietary platforms also lays a very strong foundation for further innovation and differentiation by giving us increased speed and flexibility, which we will take full advantage of, with the planned launch of new product innovations.

Notwithstanding our focus on this new technology, we have continued to improve existing product on mobile and desktop platforms. For example, our *paddypower.com* mobile app now offers betting opportunities directly from the home page, and following a fundamental re-design of betting-in-running leading into 2015, we have further enhanced its presentation, relevance, and usability for the customer.

Distinctive Brands and Marketing Capability

We continue to deepen the distinctiveness of our brands, to lead on social engagement and to optimise our brand investment.

Paddy Power launched a new creative campaign, *'You're Welcome!'*, this month in time for the new football season. We also secured leading TV media packages on BT Sport and Sky Sports for the 2015/16 season, which will put more eyes on our new creative than Kim Kardashian's money-maker. Mischief-making continues unabated; in January for example, when our prophetic 'Team Ginola' campaign to replace Sepp Blatter generated over 12,000 press articles globally – Nostradamus eat your heart out!

In Australia, we materially increased our brand investment to take advantage of the continuing state of flux in the market amongst competing brands. This was backed up with world-class mischief when Sportsbet taunted the England World Cup cricket team with posters, billboards, and even helicopters en route to, and during practice at the MCG, all carrying the message "Missing: Pair of balls – If found please return to the England Cricket team". Given the Ashes result, it seems somebody did, and it cost Australia dearly.

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[2] The sportsbook gross win % represents the percentage of stakes retained after payout of winnings, including promotional offers paid out in cash (see Appendix 1 for detail by Division). The sportsbook net revenue % also deducts the cost of free bets for promotional and sign-up offers. For ease of reference/comparison, it excludes foreign exchange hedging gains/losses from net revenue and includes stakes from free bets within turnover.
[3] Excludes customer balances of €72m (2015) and €69m (2014).
[4] Comprises €25.0m from UK Point of Consumption Tax, €3.5m from increased rates of Australian product fees, €2.0m from increased Machine Gaming Duty rate and €1.9m from introduction of VAT on eGaming with Irish customers.

Such mischief drives our global leadership in social media, with engagement levels for Paddy Power at four times the combined level of our five nearest competitors. In Australia, Sportsbet accounted for almost 70% of social media engagement on Facebook and Twitter for the entire sector. This highly cost effective activity contributes to consistent sector leading marketing efficiency, and this is reflected in our marketing costs as a percentage of online net revenue being 21% in the period, compared to an average of 27% for our major quoted peers.

Focused and Efficient Execution

As planned, we are successfully funding increased investment in product and brand through savings generated by more focused and efficient execution. We have achieved cost savings in the period from a range of measures which have included: further increasing our presence in Bulgaria, the consolidation of our product development activities, reduced investment in poker and bingo, curtailing low value customer acquisition, and restructuring some roles.

Sports Results and Trading

The Group's sportsbook gross win percentage increased by 0.6% to 9.7% in the period. This was driven mainly by positive structural and channel mix changes, with only a marginal increase from improved sports results, after punter friendly results impacted across the sector again this year. This resulted in a Group gross win percentage around a half a percent below the rate we would normally expect.

The pain started in quarter one, when football cost us more than a Donald Trump hair transplant. The Premier League hit bookies hard, and after weeks 3, 9 and 12 we felt like we'd just gone three rounds with Conor McGregor.

We went 'Cheltmental' in March, and racing punters enjoyed more generosity than you could shake a whip at. Enter the Paddy Power 'Great Ideas Department', and in a move that made Ed Miliband's 'Tablet of Stone' look like an election clincher, we gave money back on ALL losers in the first two races before getting well and truly spanked in what felt like a Willie Mullins production of Fifty Shades of Green. Annie Power eventually saved our bacon in the Mare's hurdle; emulating Madonna at the Brit Awards and falling at the last fence. It was a real shame though for Mullins' backers and we decided to refund all losing bets on four-fold accumulators containing Annie Power – one of our biggest 'justice payouts' ever.

Our luck finally turned, when at the Grand National we took on the favourite, Shutthefrontdoor. We offered a massive standout price of 10/1, with Many Clouds delivering the silver lining we badly needed! In other sports we had some brighter moments too, like Wawrinka defeating world number 1 Djokovic, at the French Open, and Jordan Spieth's victory over 'poor old' Dustin Johnson in a dramatic US Open finale - the biggest sporting reversal since Frank Maloney ditched the slacks.

But the good times didn't last long, and the less said about Frankie Dettori's Golden Horn at the Epsom Derby the better! Royal Ascot wasn't far behind, and like a steak-starved Jeremy Clarkson, we completely lost the plot when Ryan Moore rode a record nine winners to victory, costing us more than the payroll for an episode of Top Gear. To top it all off, we suffered more football misery at the Champions League final, which left us dispensing cash like Greek ATMs in a 'Carry-on Syriza' caper.

In Australia, the closing weekend of the first half packed in more action than an Ashley Madison first date; the gods of sporting results providing the happy ending. In the AFL, Richmond Tigers defeated heavily backed favourites Sydney Swans and the next day Parramatta Eels slew St. George Dragons in the NRL – you little ripper!

ONLINE

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	2,877	2,236	+29%	+20%
Sportsbook net revenue	264.0	176.1	+50%	+42%
Sportsbook net revenue %	*9.2%*	*7.8%*		
Gaming & other net revenue	80.9	66.2	+22%	+14%
Total net revenue	**345.0**	**242.3**	**+42%**	**+34%**
Gross profit	254.9	193.7	+32%	+24%
Operating costs	(185.0)	(150.8)	+23%	+17%
Operating profit	**69.9**	**43.0**	**+63%**	**+45%**
% of Group operating profit	87%	72%		
Active customers[5]	**1,835,227**	**1,792,150**	**+2%**	

We continue to build our online scale significantly, all via organic growth. Total net revenue increased by 34%, driven by 20% stakes growth, whilst eGaming net revenue increased by 14%. Mobile continues to drive this growth, accounting for 67% of online revenue with 78% of active customers transacting via mobile devices in the period. Online profits increased by 45% to €69.9m, representing 75% of Group operating profit pre Telephone losses.

[5] *Active customers throughout this statement are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers.*

ONLINE (Excluding Australia)

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	1,654	1,399	+18%	+9%
Sportsbook net revenue	119.1	81.7	+46%	+37%
Sportsbook net revenue %	*7.2%*	*5.8%*		
Gaming & other net revenue	80.9	66.2	+22%	+14%
Total net revenue	**200.1**	**147.9**	**+35%**	**+26%**
Gross profit	146.1	121.6	+20%	+12%
Operating costs	(114.5)	(99.6)	+15%	+10%
Operating profit – total	**31.6**	**22.0**	**+44%**	**+21%**
Operating loss – paddypower.it	*(4.7)*	*(8.9)*		
Operating profit – ex Aus, ex Italy	*36.3*	*30.9*	*+18%*	*+3%*

Online (excluding Australia) comprises the B2C businesses, *paddypower.com* and *paddypower.it*, and our B2B activities. Net revenue grew by 26% to €200m with eGaming revenue growth of 14%, sportsbook stakes growth of 9% and an improved year-on-year net revenue percentage. Operating cost growth was limited to 10% helped by our efficiency initiatives. The new UK point of consumption tax (‘POCT’) and Irish eGaming VAT regime increased costs by €28m at a gross level. Operating profit increased by 21%, or by 127% before the impact of the new taxes.

Active customers fell 5%, with customer acquisition down 21% due to the World Cup in the comparative period and the curtailment of low value customer acquisition, particularly during the Grand National. Excluding the impact of the World Cup and Grand National, *paddypower.com* new customer acquisition grew by 12%.

Online (Ex Aus) Active Customers	**H1 2015**	**H1 2014**	**% Change**
UK	1,057,337	1,126,653	(6%)
Ireland and Rest of World	315,722	319,779	(1%)
Total	**1,373,059**	**1,446,432**	**(5%)**

Online (Ex Aus) Customers Product Usage	**H1 2015**	**H1 2014**	**% Change**
Sportsbook only	876,541	1,041,154	(16%)
Gaming only	107,346	104,328	+3%
Multi product customers	389,172	300,950	+29%
Total	**1,373,059**	**1,446,432**	**(5%)**

paddypower.com

In our UK and Irish online business, *paddypower.com*, sportsbook net revenue grew 39%, boosted by the most significant year-on-year gross win percentage rebound of all our divisions. Notwithstanding this increased level of winnings from customers, the World Cup in the comparative period and the curtailment of low value customer acquisition, sportsbook stakes grew by 9%. Excluding the World Cup, sportsbook stakes grew 14% and net revenue by 50%. In eGaming, continued strong performance from mobile and proprietary games drove growth of 13%, or 16% pre the impact of the new Irish eGaming VAT since the start of the year.

paddypower.it

During the period we completed a strategic review of our Italian business, *paddypower.it.* While market growth has been slow in recent years, the medium to long term dynamics remain attractive, with mobile expected to be the key driver of future growth. The review also highlighted that we had invested in a local presence which was excessive relative to the size of the market, and that inconsistent investment in marketing had resulted in limited awareness of our brand. It was also clear that these are issues we can rectify and that returns can be generated from further and more focused investment.

Since completing that review, we have put ourselves on a corrective path. However, given our appetite to invest to achieve the best position for the long term, we have a way to travel to achieve profitability (as we set out in May). Net revenue grew by 24% in the period and we continue to improve our overall customer proposition. For example, the eGaming channel now features our own proprietary content which is already accounting for over a third of Games revenues.

We have restructured our cost base to levels commensurate with the market opportunity, and at the same time as growing revenue, we have reduced operating costs by 19% and taken cost of sales as a percentage of net revenue down by 19%. We have also refocused our customer acquisition strategy to emphasise value over volume, and critically, a new marketing campaign is being developed to drive brand awareness and further revenue growth.

The operating loss for the period fell substantially by €4.2m to €4.7m.

(A) Online Sportsbook

Sportsbook amounts staked increased by 9% to €1.7 billion. Within this, bet volumes grew 6% to 109m, while the average stake per bet increased by 3% to €15.11. Mobile stakes grew 20% to €1.1 billion, or 64% of online stakes, with 76% of our online customers transacting with us via mobile in June.

In product during the period, significant new releases included partial ‘cash-out’, and the extension of our existing ‘cash-out’ to each-way and multiple bets. We also released a range of mobile usability enhancements designed to make the customer experience more intuitive. Improvements to our betting-in-running product included improved visualisation, more insightful football and tennis scoreboard statistics, richer animations, and easier access to streaming. We also delivered a slicker registration process and new self-service account options, including payment method switching functionality and payment monitoring. Process advancements in the period have made our industry leading settlement times even faster.

And of course we didn't miss chances to attract punters who enjoy a novelty flutter and a bit of fun. On the eve of the UK general election, we parked a gigantic billboard outside Westminster emblazoned with the message 'You're Getting Sacked In The Morning', and while we speculated on a 'Farage á Trois' coalition, we failed miserably at predicting a Tory majority. We were certain that tax-loving Greeks would back an austerity referendum and were left red-faced again by a 'No' vote after we had paid out early on 'Yes' (the global publicity that ensued was some consolation!). In Ireland, we combined politics, football, and cinema with the Braveheart inspired billboard message to our Scottish brethren before the Euro 2016 Celtic clash, proclaiming "You may take our points, but at least we have our freedom (ya wee pussies)".

Equally, we never forget it's central that consumers see us as being competitive on value with distinctive, simple and relevant offers. A great example is our 'Bet £20 Get £10' promotion which also targets the growth hotspots of football and betting-in-play. We remain relatively underpenetrated in football – a key growth opportunity as we roll-out exciting new product, a new brand campaign and a well-targeted value offering.

(B) Online Gaming & B2B

Gaming and other revenue increased by 14% to €81m, driven by the growth in mobile within our Games and Casino channels. Mobile net revenue increased by 60%, accounting for 55% of total online gaming in the period.

eGaming active customers grew by 23%, driven by significantly stronger cross sell from sportsbook and direct customer acquisition into Games and Casino, supported by differentiated product.

Our distinctive in-house developed games continue to be pivotal, contributing 22% of total eGaming revenues (2014: 11%). Revenue per game from our proprietary content averaged twice that of our external content in the period. The games have been extended beyond *paddypower.com* into both *paddypower.it* and our UK retail estate in the period.

Our B2B relationships with our partners in France, Canada and Slovakia continue to perform well, reinforcing our position as an industry leader in product and betting risk management. We recently successfully concluded a new contract with Reta, a top 5 multi-channel operator in Spain, and renewed our agreements with PMU in France and BCLC in Canada.

ONLINE AUSTRALIA – *sportsbet.com.au*

€m	**H1 2015**	**H1 2014**	**% Change**	**% Change in CC**
Online sportsbook amounts staked	**1,223**	**838**	**+46%**	**+39%**
Total sportsbook amounts staked	1,331	925	+44%	+37%
Net revenue	**151.5**	**98.6**	**+54%**	**+46%**
Sportsbook net revenue %	*11.4%*	*10.7%*		
Gross profit	114.2	75.5	+51%	+44%
Operating costs	(75.4)	(53.7)	+40%	+34%
Operating profit	**38.8**	**21.8**	**+78%**	**+69%**
Online active customers	462,168	345,718	+34%	

Our nitrous fuelled Australian business continues to move faster than a Mad Max remake, with accelerated momentum and market share gains leaving the competition eating our dust. Total net revenue grew by 46%, driving operating profit growth of 69% in the period, on top of the 68% increase achieved last year. Our approach to driving growth in Australia follows our Group strategy: investment in innovative, differentiated product, and distinctive brand and marketing capabilities.

In online, stakes were up 39%, driven by continued strong active customer growth of 34%, notwithstanding a very successful World Cup within the comparative period. Mobile turnover increased by 81% to €780m or 64% of online stakes, with 84% of our online customers transacting with us via mobile in June. Whilst betting-in-running continues to be prohibited online, in our Telephone channel it continues to grow strongly, driving net revenue growth of 47%.

In June we launched 'Blackbook' which enables punters to manage and share racing selections via their mobile. We have already released two further iterations of the product, demonstrating increasingly agile development processes. In September we will launch 'Punters Club', an exciting new product that makes setting up and managing a betting club simple, secure and fun, eliminating the need to chase your mates for money or keep track of whose turn it is to bet.

Other significant product enhancements in the period included fingerprint login for smartphones, real-time score updates on mobile for all major sports, and online streaming of live Victorian racing pictures, following a pioneering agreement with Racing Victoria. We also released prominent advertising campaigns showcasing our ATM cash-card and our early cash-out feature. The award winning cash-out campaign showed how you could monitor the real-time value of your bet and cash out almost anywhere - at the 'barbie' with friends, at the pub with your mates, or alone on the toilet, with just your thoughts!

We materially increased our level of brand investment and delivered a torrent of sector leading value and promotional offers, like our market leading AFL Money Back Special 'Lead at any Break'. Sportsbet also produced its very own parody of the blockbuster movie 'Fifty Shades of Grey', to promote the greyhound racing industry and Greyhound Adoption Program. The commercial featured a female office worker having a steamy affair with Mr. Grey, a well-toned, well-groomed, well-styled.…greyhound. These investments reinforced our number one ranking for spontaneous brand awareness and our leading position as Australia's top mobile betting brand, contributing strongly to 23% growth in new customer acquisition in the period.

Product fee increases implemented last year by racing bodies in Victoria, Western Australia, Queensland and South Australia increased costs by approximately €3.5m in the period. Further product fee increases recently announced by Racing New South Wales and other bodies, will increase costs by approximately €0.5m in the second half of this year.

We note the recent introduction of new automated 'telephone' betting-in-running products to the market by some operators, but we consider the products of some of our competitors to be unjustifiably high risk. The reaction of the Australian Communications & Media Authority, in referring complaints about the products to the Federal Police, and a number of the large TV channels, in refusing to show related product advertisements, reinforces our view.

This situation does however highlight the inconsistency of Australia's regulatory regime, in continuing to allow betting-in-running via phone and retail but not online, and in turn assisting illegal offshore operators to target the Australian market with such product.

RETAIL

Our retail businesses in Ireland and the UK continue to grow strongly and take market share. Top-line momentum accelerated in the period with like-for-like net revenue up 9%. Operating profits have grown by 18% on average over the three years to 2014 and grew by a further 16% in the first half of 2015, despite increased taxes and regulation.

Product innovation is central to this strong performance. In sports betting, we continue to extend our long-standing leadership position in Self Service Betting Terminals (SSBTs). Over the last two years, we have doubled the number of SSBTs across our estate and currently offer twice as many SSBTs per shop as our nearest quoted competitors. We also continue to optimise our already superior SSBT content and promotions.

Our UK machine gaming terminals carry the widest selection of games in the market. We have extended this advantage by adding our in-house developed games, giving our gaming customers access to exclusive and consistent content across online and retail channels.

We successfully completed trials signing up shop customers as online customers across a test group of UK shops and we will extend this initiative later this year. *Paddypower.com* has also successfully promoted our retail offering to online customers. These initiatives enable us to target the significant online spend of retail bettors, and vice versa.

Paddy Power continues to offer the most consistent value, with substantially the same odds and headline promotions in retail as online, like our long standing 'Happy Hour' promotions and paying five places in the Grand National, which really got us noticed when AP McCoy finished 5th on the heavily backed favourite.

We opened 21 shops and closed 1 in the period, bringing our total estate to 584 units.

UK RETAIL

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	457	349	+31%	+16%
Sportsbook net revenue	49.9	36.8	+36%	+21%
Sportsbook net revenue %	*10.9%*	*10.5%*		
Machine gaming net revenue	58.4	42.9	+36%	+22%
Total net revenue	**108.3**	**79.6**	**+36%**	**+21%**
Gross profit	76.9	59.4	+29%	+15%
Operating costs	(64.9)	(49.9)	+30%	+18%
Operating profit	**12.0**	**9.5**	**+26%**	**+3%**
Shops at period end	334	299	+12%	

UK Retail operating profit grew 3% despite an additional €2m of Machine Gaming Duty ('MGD') payable following the rate increase from 20% to 25% from March 2015, combined with the impact of additional machine regulation.

The top-line grew strongly with total net revenue up 21% and sportsbook stakes growth of 16%. Excluding the impact of new openings, like-for-like net revenue grew by 9%, comprised of 9% in sportsbook and 8% in machine gaming. Like-for-like sportsbook stakes were up 5%, driven by 8% growth in bet volumes, partially offset by a 2% decrease in the average stake per bet to €18.18. Like-for-like average gross win per machine per week increased by 8% to £1,373 in the period.

As expected, year-on-year machine gaming revenue growth was adversely impacted by a mid-single digit percentage following the introduction of new regulations for the '£50 staking journey' in April. Like-for-like revenue growth was 3% in the period April to June.

Operating costs grew 18%, driven by a 16% increase in average shop numbers and like-for-like cost growth of 3%.

We opened 14 new shops (of which two were acquired) and closed one unit in the period. The average capital cost per new shop was €394,000 (£284,000) including lease premia and the costs of acquisition and refit for the acquired units. The average cost per organic opening was €387,000 (£278,000). EBITDA per shop pre central costs for the mature shops opened pre 2014 averaged €92,000 (£69,000), £4,000 lower than the comparable group of shops in the first half of 2014 driven by increased MGD and machine regulation.

IRISH RETAIL

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	596	548	+9%	+9%
Net revenue	**71.3**	**62.4**	**+14%**	**+14%**
Sportsbook net revenue %	*11.9%*	*11.4%*		
Gross profit	63.8	56.2	+14%	+14%
Operating costs	(53.2)	(47.6)	+12%	+10%
Operating profit	**10.6**	**8.6**	**+23%**	**+36%**
Shops at period end	250	239	+5%	

Irish Retail operating profits increased 36% to €10.6m driven by strong revenue growth in the existing estate and increased new shop openings.

Like-for-like net revenue grew 10% and amounts staked increased by 5%, driven by 8% growth in bet volumes, partially offset by a 3% decrease in the average stake per bet to €13.51. This performance was helped by new regulations allowing our shops to open every evening all year round which also contributed to like-for-like operating cost growth of 7%.

Following on from the 20 new shops opened last year, we opened a further seven new shops in the period including six acquired. The average capital cost per unit of these 27 units was €496,000 (including the costs of acquisition and refit for acquired units) and they generated average EBITDA of €79,000 in the six month period, a 32% annualised return, notwithstanding their relative immaturity. In Dublin, we created the world's first bubble-wrapped, yob-proofed, betting shop for the England v Ireland football friendly, while elsewhere, we have recently agreed the acquisition of six further (bubble-wrap free) shops.

TELEPHONE

€m	H1 2015	H1 2014	% Change	% Change in CC
Sportsbook amounts staked	277	201	+38%	+26%
Net revenue	**(3.3)**	**8.0**	**n/a**	**n/a**
Sportsbook net revenue %	*(1.1%)*	*4.0%*		
Gross profit	(2.7)	7.9	n/a	n/a
Operating costs	(10.2)	(9.8)	+4%	(0%)
Operating loss	**(12.9)**	**(1.9)**	**n/a**	**n/a**
Active customers	50,525	59,328	(15%)	

Our telephone channel includes betting via the phone, text and the PP Messenger App. A negative net revenue percentage arose in the period, wholly due to a freakish sequence of sports results, and resulted in a €13m operating loss. Statistically such a run of results had a less than 1% probability of occurrence. There has been no change in our view on the normal structural margin and in the second half to date the net revenue percentage is in line with our normal expectation.

We expect our Telephone channel to continue to make an on-going positive contribution to the Group when one takes account of the fact that phone registered customers spend a similar amount with us online as they do via the Telephone channel.

Taxation & Regulation

The effective corporation tax rate increased from 13% to 15%, as expected, due to changes in the mix of Group profits by geography.

The UK POCT became effective in December last year and cost €25m on a gross basis in the period (€26m within Online and a €1m credit in the Telephone channel). The new Irish POCT commenced this month. If the tax had been in place throughout the period, it would have had a gross impact of €4m.

In July, the new UK Government reiterated the previous government's commitment to replace the existing horseracing betting levy with a 'racing right'. A further update from Government is expected later this year.

Cashflows, Capital Structure & Dividend

Profit at Paddy Power converts strongly into cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex of €10m) in the period was €90m or 132% of profit after tax. Estimated enhancement capex of €19m mainly related to technology spending for product development. In-house technology spending is not capitalised, hence technology capex has not increased significantly, despite increased product development. The balance of enhancement capex mainly related to new shop openings which fell €9m to €5m in the period.

During the period, the Group reviewed its capital structure and decided to move from a net cash to a net debt position. As a result, the Group put in place a five year €300m Revolving Credit Facility with a syndicate of banks and paid a total of €441m to shareholders in June, by way of an €8.00 per share (€391m) B share scheme and a €1.02 final dividend.

At the end of the period, the Group had net debt of €147m (0.7 times 2014 EBITDA), excluding customer balances. The Board intends to maintain net debt at between 0.5 and 1.0 times prior year EBITDA through continued investment in the Group's businesses and cash returns to shareholders via regular dividends and opportunistic share buybacks. The Board intends to maintain a dividend payout ratio of approximately 50%, with a slightly higher ratio in 2015 as a result of the one-off impact of new taxes and product fees on EPS growth.

In that context, the Board has decided to pay an interim dividend of 60c cent per share, a 20% increase per share post the 9 for 10 share consolidation that took place as part of the B share scheme. The total expected interim dividend is €26.4m, up 7% on the 2014 interim dividend, and payable on 25 September to shareholders on the register at the close of business on 4 September.

Foreign Exchange Risk

Sterling and Australian Dollar denominated operating profits were approximately £55m and AUD60m respectively in the period. Accordingly, Group operating profit can be positively impacted by a weaker Euro versus these currencies and adversely impacted by a stronger Euro versus these currencies.

In order to reduce this volatility, the Group periodically sells Sterling forward for Euro and has sold approximately 60% of its expected second half Sterling denominated operating profit for settlement at an average rate of 0.786. The Group has also sold £50m for settlement in 2016 at an average rate of 0.719.

Principal Risks and Uncertainties for the Remainder of the Year

The principal risks and uncertainties facing the Group remain those disclosed within the Directors' Report on pages 37 to 39 of the Group's 2014 Annual Report. The most relevant risks and uncertainties for the remainder of the year are those that could arise from adverse developments in the areas below:

- Sporting results over the short term and/or the performance of the Group in managing bookmaking risk affecting the achievement of expected gross win margins;
- Disruption to the sporting calendar or broadcasting of major sporting events due to weather or other factors;
- The ability of the Group to launch new products or introduce new systems in a successful, cost effective and/or timely manner;
- The intensity of competition in the Group's markets and the Group's ability to successfully compete;
- Changes in the exchange rates between the Euro and Sterling and Australian Dollar;
- Economic, technological, consumer behaviour and other macro factors affecting demand for the Group's products;
- The regulatory, consumer protection or legislative environment, interpretation and practices applicable to the Group's activities and related litigation and reputational risk areas, including intellectual property;
- The ability of the Group to avoid disruption to its systems and protect customer and other key data;
- Changes in current or proposed tax laws, rates, interpretations or practices, or payment obligations to racing and sporting bodies;
- Relationships with, and performance by key suppliers;
- The ability of the Group to attract and retain key employees;

Outlook

The second half of the year has started well.

Overall, the Board now expects to achieve a mid to high single digit percentage increase in reported operating profit for the full year, as compared with the current consensus market forecast for a broadly flat year-on-year result.

Andy McCue
Chief Executive Officer

Cormac McCarthy
Chief Financial Officer

25 August 2015

Appendix 1: Supplementary Disclosures

€'m	Group		Online (ex Australia)		Online Australia[iv]		UK Retail		Irish Retail		Telephone	
	H1'15	YoY % Change in CC	H1'15	YoY % Change in CC	H1'15	YoY % Change in CC	H1'15	YoY % Change in CC	H1'15	YoY % Change in CC	H1'15	YoY % Change in CC
Sportsbook:												
Amounts staked[i]	4,316	+18%	1,654	+9%	1,331	+37%	457	+16%	596	+9%	277	+26%
Gross win	417.9	+27%	140.2	+32%	155.3	+44%	51.6	+23%	72.8	+16%	(2.0)	n/a
Customer promotions & bonuses	(26.2)	+9%	(18.4)	+7%	(3.9)	(12%)	(1.3)	+164%	(1.5)	+147%	(1.1)	(13%)
Foreign exchange hedging loss[ii]	(3.2)		(2.7)		-		(0.3)		-		(0.2)	
Net revenue[iii]	388.5	+28%	119.1	+37%	151.5	+46%	49.9	+21%	71.3	+14%	(3.3)	n/a
Gross win %	*9.7%*	*+0.7%*	*8.5%*	*+1.5%*	*11.7%*	*+0.6%*	*11.3%*	*+0.6%*	*12.2%*	*+0.7%*	*(0.7%)*	*(5.3%)*
Net revenue %[v]	*9.0%*	*+0.7%*	*7.2%*	*+1.5%*	*11.4%*	*+0.7%*	*10.9%*	*+0.4%*	*11.9%*	*+0.5%*	*(1.1%)*	*(5.1%)*
Gaming and other net revenue[iii]	139.3	+17%	80.9	+14%	-	-	58.4	+22%	-	-	-	-
Total net revenue[iii]	527.8	+25%	200.1	+26%	151.5	+46%	108.3	+21%	71.3	+14%	(3.3)	n/a
Cost of sales	129.5	+60%	53.9	+93%	37.2	+53%	31.4	+39%	7.5	+20%	(0.6)	n/a
- % of net revenue	*24.5%*	*+5.3%*	*27.0%*	*+9.3%*	*24.6%*	*+1.1%*	*29.0%*	*+3.7%*	*10.5%*	*+0.5%*	*n/a*	*n/a*
Operating Costs	318.3	+16%	114.5	+10%	75.4	+34%						
Depreciation & amortisation	26.1	+9%	9.8	+7%	5.4	+23%						
Marketing costs	64.3	+11%	31.2	(15%)	26.5	+81%						
Other costs	227.9	+19%	73.6	+26%	43.5	+17%						
Online active customers (000's)[vi]	1,835	+2%	1,373	(5%)	462	+34%						
Online new customers (000's)[vii]	673	(15%)		(21%)		+23%						
Total online marketing costs[viii]	73.4	+12%										
- % of online net revenue	*21%*	*(4%)*										
- Per new customer acquired (€)	*109.1*	*+32%*										
Mobile % of online total:												
Sportsbook amounts staked	*64%*	*+9%*										
Gaming net revenue	*55%*	*+21%*										
Total online net revenue	*67%*	*+15%*										
LFL gross win per machine per week	£1,373	+8%										
Average effective FX Rates	**H1'15**	**H1'14**										
- €:GBP, with hedging	0.797	0.845										
- €:AUD	1.424	1.495										

Notes:

(i) Sportsbook amounts staked represents amounts received in respect of bets placed on sporting and other events that occurred during the period, including via SSBTs. This does not include income from gaming and business-to-business activities.

(ii) In line with our revenue accounting policy and IFRS we record all foreign exchange hedging gains / losses in our net revenue. Amounts staked, gross win, cost of sales and operating costs are all converted at spot rates.

(iii) Net revenue ('Income') represents the net gain on betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at period end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games and business-to-business services. The costs of customer promotions and bonuses are deducted when arriving at net revenue.

(iv) Online Australia also includes telephone operations accounting for less than 10% of its gross and operating profit.

(v) For ease of reference/comparison, a sportsbook net revenue % is calculated including the cost of all cash and free bet offers (calculated excluding foreign exchange hedging gains/losses from net revenue and including stakes from free bets within turnover).

(vi) Active customers are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers.

(vii) New customers are defined as those who have deposited real money and have bet for the first time in the reporting period. Excluding the impact of the World Cup and Grand National (where acquisition was deliberately reduced) acquisition, paddypower.com new customer acquisition grew by 12% in the period.

(viii) Total online marketing costs includes all marketing costs within operating costs and affiliate commissions and other marketing related costs reported within cost of sales.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE HALF YEARLY FINANCIAL REPORT
For the six months ended 30 June 2015

Each of the directors, whose names and functions are listed in the 2014 Annual Report, confirm our responsibility for preparing the half yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK FCA and with IAS 34 'Interim Financial Reporting' as adopted by the EU, and that to the best of our knowledge:

a) the condensed consolidated interim financial statements comprising the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity and related Notes 1 to 19 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

b) the interim management report includes a fair review of the information required by:

    i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    ii) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Andy McCue
Chief Executive

Cormac McCarthy
Chief Financial Officer

25 August 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2015

	Note	**Six months ended 30 June 2015 (unaudited) €'000**	Six months ended 30 June 2014 (unaudited) €'000
Sportsbook amounts staked		**4,315,996**	3,422,019
Continuing operations			
Income		**527,800**	396,492
Direct betting costs	5	**(129,474)**	(75,895)
Gross profit		**398,326**	320,597
Employee expenses		**(140,990)**	(113,826)
Property expenses		**(34,740)**	(27,377)
Marketing expenses		**(64,288)**	(53,803)
Technology and communications expenses		**(29,035)**	(25,533)
Depreciation and amortisation		**(26,053)**	(23,675)
Other expenses, net		**(23,160)**	(16,327)
Total operating expenses		**(318,266)**	(260,541)
Operating profit		**80,060**	60,056
Financial income	6	**888**	1,630
Financial expense	6	**(465)**	(62)
Profit before tax		**80,483**	61,624
Income tax expense	7	**(12,073)**	(8,011)
Profit for the period – all attributable to equity holders of the Company		**68,410**	53,613
Earnings per share			
Basic	8	**€1.456**	€1.113
Diluted	8	**€1.448**	€1.106

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Note	**Six months ended 30 June 2015 (unaudited) €'000**	Six months ended 30 June 2014 (unaudited) €'000
Profit for the period – all attributable to equity holders of the Company		**68,410**	53,613
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	6	**(10,275)**	(3,160)
Fair value of foreign exchange cash flow hedges transferred to income statement	6	**6,125**	1,996
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	6	**6,433**	7,758
Deferred tax on fair value of cash flow hedges		**519**	146
Other comprehensive income		**2,802**	6,740
Total comprehensive income for the period – all attributable to equity holders of the Company		**71,212**	60,353

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	**30 June 2015 (unaudited) €'000**	30 June 2014 (unaudited) €'000	31 December 2014 (audited) €'000
Assets				
Property, plant and equipment		**126,573**	124,993	126,711
Intangible assets		**80,985**	73,545	76,391
Goodwill	9	**107,003**	101,827	102,838
Deferred tax assets		**8,694**	8,683	8,246
Trade and other receivables		**1,125**	1,685	1,972
Total non-current assets		**324,380**	310,733	316,158
Trade and other receivables		**38,323**	37,879	32,410
Financial assets – restricted cash	11	**41,237**	53,541	39,213
Financial assets – deposits	11	**-**	-	19,258
Cash and cash equivalents	11	**129,061**	190,865	226,513
Total current assets		**208,621**	282,285	317,394
Total assets		**533,001**	593,018	633,552
Equity				
Issued share capital	16	**4,141**	5,103	5,110
Share premium		**45,344**	43,180	44,969
Treasury shares		**(51,752)**	(34,177)	(57,502)
Shares held by long term incentive plan trust		**(48,781)**	(61,454)	(61,454)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**22,946**	21,792	34,849
Retained earnings		**38,056**	353,625	421,009
Total equity – attributable to equity holders of the Company		**9,954**	328,069	386,981
Liabilities				
Trade and other payables	12	**234,910**	207,928	201,419
Derivative financial liabilities	12	**20,925**	26,943	16,981
Provisions		**640**	543	497
Current tax payable		**13,845**	16,906	17,377
Borrowings	14	**23**	-	-
Total current liabilities		**270,343**	252,320	236,274
Trade and other payables	12	**5,110**	7,056	5,821
Derivative financial liabilities	12	**139**	403	128
Provisions		**1,188**	1,152	1,174
Deferred tax liabilities		**3,797**	4,018	3,174
Borrowings	14	**242,470**	-	-
Total non-current liabilities		**252,704**	12,629	10,297
Total liabilities		**523,047**	264,949	246,571
Total equity and liabilities		**533,001**	593,018	633,552

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

	Note	**Six months ended 30 June 2015 (unaudited) €'000**	Six months ended 30 June 2014 (unaudited) €'000
Cash flows from operating activities			
Profit for the period – all attributable to equity holders of the Company		**68,410**	53,613
Income tax expense		**12,073**	8,011
Financial income	6	**(888)**	(1,630)
Financial expense	6	**465**	62
Depreciation and amortisation		**26,053**	23,675
Employee equity-settled share-based payments expense		**3,565**	3,371
Foreign currency exchange gain		**(2,510)**	(810)
Loss / (profit) on disposal of property, plant and equipment and intangible assets		**216**	(8)
Cash from operations before changes in working capital		**107,384**	86,284
Increase in trade and other receivables		**(6,763)**	(6,710)
Increase in trade and other payables and provisions		**24,986**	26,032
Cash generated from operations		**125,607**	105,606
Income taxes paid		**(14,637)**	(12,182)
Net cash from operating activities		**110,970**	93,424
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,297)**	(20,392)
Purchase of intangible assets		**(14,764)**	(13,794)
Purchase of businesses	10	**(1,890)**	(6,177)
Payment of contingent deferred consideration	10	**(1,137)**	(8)
Proceeds from disposal of property, plant and equipment and intangible assets		**50**	29
Transfers from financial assets – deposits		**20,985**	13,781
Interest received		**1,109**	1,533
Net cash used in investing activities		**(9,944)**	(25,028)
Cash flows from financing activities			
Proceeds from the issue of new shares		**377**	1,540
Purchase of shares by long term incentive plan trust		**(10,950)**	(3,883)
Dividends paid	15	**(49,881)**	(44,392)
Return of capital to shareholders (including associated costs)	16	**(390,016)**	-
Net amounts drawn down on borrowings facility		**245,000**	-
Fees in respect of borrowings facility		**(2,114)**	-
Interest paid		**(351)**	(166)
Movements in current and non-current restricted cash balances		**1,379**	1,773
Net cash used in financing activities		**(206,556)**	(45,128)
Net (decrease) / increase in cash and cash equivalents		**(105,530)**	23,268
Cash and cash equivalents at start of period		**226,513**	161,359
Foreign currency exchange gain on cash and cash equivalents		**8,078**	6,238
Cash and cash equivalents at end of period	11	**129,061**	190,865

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015

	Attributable to equity holders of the Company										
(unaudited)	*Number of ordinary shares in issue*	**Issued share capital €'000**	**Share premium €'000**	**Foreign exchange translation reserve €'000**	**Cash flow hedge reserve €'000**	**Other reserves €'000**	**Treasury shares €'000**	**Shares held by long term incentive plan trust €'000**	**Share-based payment reserve €'000**	**Retained earnings €'000**	**Total €'000**
Balance at 1 January 2015	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981
Total comprehensive income / (expense) for the period											
Profit	-	-	-	-	-	-	-	-	-	**68,410**	**68,410**
Foreign exchange translation	-	-	-	**6,433**	-	-	-	-	-	-	**6,433**
Net change in fair value of cash flow hedge reserve	-	-	-	-	**(4,150)**	-	-	-	-	-	**(4,150)**
Deferred tax on cash flow hedges	-	-	-	-	**519**	-	-	-	-	-	**519**
Total comprehensive income / (expense) for the period	-	-	-	**6,433**	**(3,631)**	-	-	-	-	**68,410**	**71,212**
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 16)	***15,165***	**2**	**375**	-	-	-	-	-	-	-	**377**
Own shares acquired by the long term incentive plan trust – net of B shares' receipt (Note 16)	-	-	-	-	-	-	-	**(10,950)**	-	-	**(10,950)**
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	**3,565**	-	**3,565**
Equity-settled transactions – vestings	-	-	-	-	-	-	-	**23,623**	**(19,200)**	**(3,493)**	**930**
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	**(39)**	**(39)**
Return of capital to shareholders (including related costs) (Note 16)	-	-	-	-	-	-	-	-	-	**(392,241)**	**(392,241)**
Capital reduction (Note 16)	***(5,111,837)***	**(971)**	-	-	-	**930**	**5,750**			**(5,709)**	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	-	**(49,881)**	**(49,881)**
Total contributions by and distributions to owners of the Company	***(5,096,672)***	**(969)**	**375**	-	-	**930**	**5,750**	**12,673**	**(15,635)**	**(451,363)**	**(448,239)**
Balance at 30 June 2015	***46,008,028***	**4,141**	**45,344**	**6,397**	**(5,936)**	**2,170**	**(51,752)**	**(48,781)**	**20,315**	**38,056**	**9,954**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 June 2014

	Attributable to equity holders of the Company										
(unaudited)	*Number of ordinary shares in issue*	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2014	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002
Total comprehensive income / (expense) for the period											
Profit	-	-	-	-	-	-	-	-	-	53,613	53,613
Foreign exchange translation	-	-	-	7,758	-	-	-	-	-	-	7,758
Net change in fair value of cash flow hedge reserve	-	-	-	-	(1,164)	-	-	-	-	-	(1,164)
Deferred tax on cash flow hedges	-	-	-	-	146	-	-	-	-	-	146
Total comprehensive income / (expense) for the period	-	-	-	7,758	(1,018)	-	-	-	-	53,613	60,353
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 16)	*56,982*	5	1,534	-	-	-	-	-	-	-	1,539
Own shares acquired by the long term incentive plan trust – 70,400 ordinary shares (Note 16)	-	-	-	-	-	-	-	(3,883)	-	-	(3,883)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	3,371	-	3,371
Equity-settled transactions – vestings	-	-	-	-	-	-	-	14,165	(11,547)	(2,010)	608
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	(529)	(529)
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	-	-	(178)	178	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	-	(44,392)	(44,392)
Total contributions by and distributions to owners of the Company	*56,982*	5	1,534	-	-	-	-	10,282	(8,354)	(46,753)	(43,286)
Balance at 30 June 2014	*51,034,067*	5,103	43,180	94	(2,301)	1,240	(34,177)	(61,454)	22,759	353,625	328,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Paddy Power plc ('the Company') is a company incorporated in the Republic of Ireland. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as 'the Group'). The condensed consolidated interim financial statements are unaudited but have been reviewed by the auditor, whose report is set out on page 32.

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU together with an unqualified audit report thereon and no emphasis of matter under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies. They are available from the Company, from the website www.paddypowerplc.com and, when filed, from the Registrar of Companies.

The condensed consolidated interim financial statements were approved by the Board of Directors of Paddy Power plc on 25 August 2015.

2. Basis of preparation and accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator and with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements are prepared on the historical cost basis except for betting transactions and forward foreign exchange contracts (which are recorded as derivative financial instruments), contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of equity-settled share-based payments). The condensed consolidated interim financial statements are presented in Euro, the Company's functional currency, rounded to the nearest thousand.

The financial information contained in the condensed consolidated interim financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2014, except as set out below.

The Group has adopted the following accounting policies, standards and interpretations during the period ended 30 June 2015:

<u>Accounting policies</u>

Borrowings
Borrowings are recorded at the fair value of the proceeds received, net of any directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

<u>Amendments to existing standards</u>
During the period, a number of amendments to existing accounting standards became effective. These have been considered by the directors and have not had a significant impact on the Group's consolidated financial statements.

3. Judgements and estimates

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

4. Operating segments

The Group's reportable segments are divisions that are managed separately, due to a combination of factors including method of service delivery (online, retail shops, telephone), geographical location and the different services provided.

(a) Reportable business segment information

The Group considers that its reportable segments are as follows:
- Online (ex Australia);
- Online Australia;
- UK Retail;
- Irish Retail; and
- Telephone.

The Online (ex Australia), UK Retail, Irish Retail and Telephone segments derive their revenues primarily from sports betting and/or gaming (gaming machines, games, casino, bingo and poker) and business to business ('B2B') services. Online (ex Australia) services are delivered primarily through the internet, Telephone through the public telephony system and UK and Irish Retail through licensed bookmaking shop estates. The Online (ex Australia) and Telephone segments derive their revenues primarily from the UK and Ireland, the UK Retail segment from retail outlets in Great Britain and Northern Ireland and Irish Retail from retail outlets in the Republic of Ireland. The Online Australia segment earns its revenues from sports betting services provided to Australian customers using primarily the internet with a small proportion using the public telephony system.

The accounting policies in respect of operating segments reporting are the same as those described in the summary of significant accounting policies set out in the Company's last annual financial statements in respect of the year ended 31 December 2014. There was no inter-segment trading in the six months ended 30 June 2015 and in the six months ended 30 June 2014. Central operating expenses are allocated to reportable segments based on internal management allocation methodologies. Any expenses that are not directly allocated to reportable segments in internal management reports are shown in the reconciliation of reportable segments to Group totals. The Group does not allocate income tax expense or interest to reportable segments. Treasury management is centralised for the Online (ex Australia), UK Retail, Irish Retail and Telephone segments. The Online Australia segment manages its own treasury function under Group Treasury oversight. Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Reportable business segment information for the six months ended 30 June 2015:

	Online (ex Australia) €'000	**Online Australia €'000**	**UK Retail €'000**	**Irish Retail €'000**	**Telephone €'000**	**Total reportable segments €'000**
Income / (loss) from external customers	**200,057**	**151,451**	**108,280**	**71,309**	**(3,297)**	**527,800**
Direct betting (costs) / credits	**(53,924)**	**(37,250)**	**(31,398)**	**(7,480)**	**578**	**(129,474)**
Gross profit / (loss)	**146,133**	**114,201**	**76,882**	**63,829**	**(2,719)**	**398,326**
Depreciation and amortisation	**(9,748)**	**(5,400)**	**(6,412)**	**(3,987)**	**(506)**	**(26,053)**
Other operating expenses	**(104,792)**	**(69,982)**	**(58,513)**	**(49,232)**	**(9,694)**	**(292,213)**
Reportable segment profit / (loss)	**31,593**	**38,819**	**11,957**	**10,610**	**(12,919)**	**80,060**

Reportable business segment information for the six months ended 30 June 2014:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	147,866	98,624	79,630	62,409	7,963	396,492
Direct betting costs	(26,293)	(23,125)	(20,203)	(6,208)	(66)	(75,895)
Gross profit	121,573	75,499	59,427	56,201	7,897	320,597
Depreciation and amortisation	(9,142)	(4,171)	(5,418)	(4,362)	(582)	(23,675)
Other operating expenses	(90,420)	(49,523)	(44,495)	(43,241)	(9,187)	(236,866)
Reportable segment profit / (loss)	22,011	21,805	9,514	8,598	(1,872)	60,056

4. Operating segments (continued)

Reconciliation of reportable segments to Group totals

	Six months ended 30 June 2015 €'000	Six months ended 30 June 2014 €'000
Income		
Total income from reportable segments, being total Group income	**527,800**	396,492
Profit and loss		
Total profit from reportable segments	**80,060**	60,056
Unallocated amounts:		
Financial income – non-Online Australia (1)	**260**	223
Financial income – Online Australia	**628**	1,407
Financial expense – non-Online Australia (1)	**(362)**	(11)
Financial expense – Online Australia	**(103)**	(51)
Profit before tax	**80,483**	61,624

(1) The non-Online Australia segments comprise the Online (ex Australia), UK Retail, Irish Retail and Telephone operating segments. Financial expense relating to these segments is primarily in respect of interest on borrowings, amortisation of finance costs directly attributable to borrowings, guarantee and facility fees, other interest amounts payable and the unwinding of discounts on provisions and other non-current liabilities.

(b) Geographical segment information

The Group considers that its primary geographic segments are 'UK', 'Australia' and 'Ireland and rest of world'. The UK geographic segment consists of the UK Retail bookmaking business, online and telephone sports betting from UK customers and online gaming from UK customers. The Australia geographic segment consists primarily of online sports betting, plus a small proportion of telephone sports betting, from Australian customers. The Ireland and rest of world geographic segment is composed of the Irish Retail bookmaking business, online and telephone sports betting from Irish and rest of world customers, online gaming from Irish and rest of world customers and B2B services provided to rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

Group revenues by geographical segment are as follows:

Income	**Six months ended 30 June 2015 €'000**	Six months ended 30 June 2014 €'000
UK	**254,242**	191,536
Australia	**151,451**	98,624
Ireland and rest of world	**122,107**	106,332
Total	**527,800**	396,492

Revenues are attributed to geographical location on the basis of the customer's location.

Non-current assets (excluding deferred tax assets) by geographical segment are as follows:

Non-current assets	**30 June 2015 €'000**	30 June 2014 €'000	31 December 2014 €'000
UK	**143,066**	138,374	140,648
Australia	**87,078**	82,080	83,698
Ireland and rest of world	**85,542**	81,596	83,566
Total	**315,686**	302,050	307,912

Seasonality

The Group's sportsbook income is driven by a combination of the timing of sporting and other events and the Group's results derived from those events. Gaming and other income is not as dependent on the sporting calendar.

5. Direct betting costs

Direct betting costs comprise:

	Six months ended 30 June 2015 €'000	Six months ended 30 June 2014 €'000
Betting taxes	**70,527**	32,238
Software supplier costs	**18,016**	14,885
Other direct betting costs	**40,931**	28,772
	129,474	75,895

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephone Point of Consumption tax which was introduced on 1 December 2014), machine gaming duty and Goods and Services Tax ('GST') on Online Australia segment gross win.

Software supplier costs comprise direct costs incurred under supplier agreements for the provision of online casino, bingo, poker, fixed odds gaming services and retail betting machines.

Other direct betting costs comprise payments to third parties for new online customers acquired, product and racefield fees payable to Australian state racing authorities, data rights which mainly comprise costs incurred in respect of British Horseracing Board and UK statutory levies, customer bad debt charges and other miscellaneous direct betting costs.

6. Financial income and expense

	Six months ended 30 June 2015 €'000	Six months ended 30 June 2014 €'000
Recognised in profit or loss:		
Financial income		
On financial assets at amortised cost:		
Interest income on short term bank deposits	**888**	1,570
Unwinding of discount on non-current assets	**-**	60
	888	1,630
Financial expense		
On financial liabilities at amortised cost:		
Interest on borrowings, bank guarantees and facility fees, and other interest payable	**363**	11
Unwinding of the discount on non-current liabilities	**102**	51
	465	62
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(10,275)**	(3,160)
Fair value of foreign exchange cash flow hedges transferred to income statement	**6,125**	1,996
Net change in fair value of cash flow hedge reserve	**(4,150)**	(1,164)
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	**6,433**	7,758
	2,283	6,594

7. Taxation

Income tax is accrued for the interim reporting period using management's best estimate of the weighted average tax rate that is expected to be applicable to estimated total annual earnings. This expected annual effective income tax rate is applied to the taxable income of the interim period.

The Group's effective tax rate for the period was 15.0% (six months ended 30 June 2014: 13.0%), which compares to the standard Irish corporation tax rate of 12.5%.

8. Earnings per share

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include awards under the Long Term Incentive Plan and share options granted to employees.

The calculation of basic and diluted EPS is as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**68,410**	53,613
Denominator in respect of basic earnings per share (in '000s):		
Ordinary shares in issue at the beginning of the period	**51,105**	50,977
Adjustments for weighted average number of:		
- ordinary shares issued during the period	**9**	30
- ordinary shares held in treasury	**(2,131)**	(1,734)
- ordinary shares held by long term incentive plan trust	**(759)**	(1,096)
- ordinary share consolidation	**(1,243)**	-
Weighted average number of ordinary shares in issue during the period (basic)	**46,981**	48,177
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Dilutive effect of Share Option Schemes, Sharesave Scheme, Long Term Incentive Plan and shares held by long term incentive plan trust	**265**	316
Weighted average number of ordinary shares in issue during the period (diluted)	**47,246**	48,493
Basic earnings per share	**€1.456**	€1.113
Diluted earnings per share	**€1.448**	€1.106

9. Goodwill

The following cash generating units, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Total €'000
Balance at 1 January 2014	13,303	50,049	18,316	10,886	92,554
Arising on acquisitions during the year	-	-	2,070	5,632	7,702
Foreign currency translation adjustment	-	2,005	577	-	2,582
Balance at 31 December 2014	13,303	52,054	20,963	16,518	102,838
Arising on acquisitions during the period (Note 10)	**-**	**-**	**401**	**1,925**	**2,326**
Foreign currency translation adjustment	**-**	**998**	**841**	**-**	**1,839**
Balance at 30 June 2015	**13,303**	**53,052**	**22,205**	**18,443**	**107,003**

The Group reviews the carrying value of goodwill for impairment semi-annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these cash generating units with their recoverable amounts (being the higher of value in use and fair value less costs to sell). Management performed such an impairment review at 30 June 2015 and, on the basis of this review, are satisfied that the carrying amount of the Group's goodwill at 30 June 2015 is not less than its recoverable amount.

10. Business combinations

Six months ended 30 June 2015

Shop property business acquisitions
In 2015, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Provisional fair values 30 June 2015 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**364**
	364
Goodwill arising on acquisition – UK Retail and Irish Retail	**2,326**
Consideration	**2,690**
The consideration is analysed as:	
Cash consideration	**1,890**
Contingent deferred consideration	**800**
	2,690

The principal factors contributing to the UK and Irish Retail goodwill balance are the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of income, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the period ended 30 June 2015 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed targets for the next 12 months following the date of acquisition. The contingent deferred consideration amount of €800,000 at 30 June 2015 represents management's best estimate of the fair value of the amounts that will be payable.

During 2015, the Group also paid a total of €1,137,000 in respect of contingent deferred consideration for 2013 and 2014 retail acquisitions (see below).

10. Business combinations (continued)

Six months ended 30 June 2014

Shop property business acquisitions
In 2014, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Fair values 30 June 2014
	€'000
Identifiable net assets acquired:	
Property, plant and equipment	923
	923
Goodwill arising on acquisition – UK Retail and Irish Retail	5,891
Consideration	6,814
The consideration is analysed as:	
Cash consideration	6,177
Contingent deferred consideration	637
	6,814

The principal factors contributing to the UK and Irish Retail goodwill balance are the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of income, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the period ended 30 June 2014 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed targets for the next 12 months following the date of acquisition. The contingent deferred consideration amount of €637,000 at 30 June 2014 represents management's best estimate of the fair value of the amounts that will be payable.

During 2014, the Group also paid a total of €8,000 in respect of contingent deferred consideration for a 2013 UK Retail acquisition (see below).

Net cash outflow from purchase of businesses

	Six months ended 30 June 2015	Six months ended 30 June 2014
	€'000	€'000
Cash consideration – acquisitions in the period	**1,890**	6,177
Cash consideration – acquisitions in previous periods	**1,137**	8
	3,027	6,185
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**1,890**	6,177
Payment of contingent deferred consideration	**1,137**	8
	3,027	6,185

11. Financial assets and cash and cash equivalents

	30 June 2015	31 December 2014
	€'000	€'000
Current		
Financial assets – restricted cash	**41,237**	39,213
Financial assets – deposits	**-**	19,258
Cash and cash equivalents	**129,061**	226,513
Total	**170,298**	284,984

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	30 June 2015	31 December 2014
	€'000	€'000
Cash	**76,192**	76,930
Short term bank deposits – with an original maturity of less than three months	**52,869**	149,583
Cash and cash equivalents in the statement of cash flows	**129,061**	226,513

11. Financial assets and cash and cash equivalents (continued)

The directors believe that all short term bank deposits can be withdrawn without significant penalty.

Financial assets (restricted cash and deposits) and cash and cash equivalents are analysed by currency as follows:

	30 June 2015	31 December 2014
	€'000	€'000
Euro	**44,123**	119,596
GBP	**77,390**	95,531
AUD	**47,138**	65,649
USD	**1,308**	3,478
Other	**339**	730
	170,298	284,984

Included in current financial assets – restricted cash at 30 June 2015 are bank deposits totalling €41,237,000 (31 December 2014: €39,213,000) which were either (1) restricted at that date, as they represented client funds balances securing player funds held by the Group or (2) required to be held to guarantee third party letter of credit facilities.

At 31 December 2014 included in current financial assets – deposits were bank deposits totalling €19,258,000 which had an initial cost of €18,893,000. The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7 'Statement of Cash Flows', and, accordingly, the related balances have been separately reported in the consolidated statement of financial position. At 30 June 2015, no current financial assets – deposits were held.

12. Trade and other payables and derivative financial liabilities

Current liabilities

	30 June 2015	31 December 2014
	€'000	€'000
Trade and other payables		
Trade payables	**19,419**	11,348
Customer balances	**72,202**	67,133
PAYE and social security	**5,887**	5,804
Value added tax and goods & services tax	**4,030**	-
Betting duty, data rights and product & racefield fees	**35,717**	16,182
Employee benefits	**22,979**	31,138
Contingent deferred consideration – business combinations	**1,318**	1,977
Accruals and other liabilities	**73,358**	67,837
	234,910	201,419
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges	**6,786**	2,636
Sports betting open positions	**14,139**	14,345
	20,925	16,981

Non-current liabilities

	30 June 2015	31 December 2014
	€'000	€'000
Trade and other payables		
PAYE and social security	**273**	255
Employee benefits	**4,271**	4,958
Contingent deferred consideration – business combinations	**-**	111
Accruals and other liabilities	**566**	497
	5,110	5,821
Derivative financial liabilities		
Sports betting open positions	**139**	128

13. Financial instruments

Carrying amounts versus fair values

The following table shows the fair values of financial assets and financial liabilities at 30 June 2015 and 31 December 2014, together with the carrying amounts in the consolidated statement of financial position. It has been determined for financial instruments carried at amortised cost, that the carrying amount represents a reasonable approximation of fair value.

	30 June 2015		31 December 2014	
	Carrying amount €'000	**Fair value €'000**	Carrying amount €'000	Fair value €'000
Carried at fair value				
Current financial liabilities				
Non-derivative financial liabilities – contingent deferred consideration	**(1,318)**	**(1,318)**	(1,977)	(1,977)
Derivative financial liabilities – forward contract cash flow hedges	**(6,786)**	**(6,786)**	(2,636)	(2,636)
Derivative financial liabilities – sports betting open positions	**(14,139)**	**(14,139)**	(14,345)	(14,345)
	(22,243)	**(22,243)**	(18,958)	(18,958)
Non-current financial liabilities				
Non-derivative financial liabilities – contingent deferred consideration	**-**	**-**	(111)	(111)
Derivative financial liabilities – sports betting open positions	**(139)**	**(139)**	(128)	(128)
	(139)	**(139)**	(239)	(239)
Net	**(22,382)**	**(22,382)**	(19,197)	(19,197)
Carried at amortised cost				
Current financial assets				
Trade receivables	**7,871**	**7,871**	5,588	5,588
Other receivables	**2,684**	**2,684**	1,720	1,720
Value added tax and goods & services tax	**-**	**-**	1,288	1,288
Financial assets – restricted cash	**41,237**	**41,237**	39,213	39,213
Financial assets – deposits	**-**	**-**	19,258	19,258
Cash and cash equivalents	**129,061**	**129,061**	226,513	226,513
	180,853	**180,853**	293,580	293,580
Current financial liabilities				
Trade and other payables	**(233,592)**	**(233,592)**	(199,442)	(199,442)
Accrued interest on borrowings	**(23)**	**(23)**	-	-
	(233,615)	**(233,615)**	(199,442)	(199,442)
Non-current financial liabilities				
Trade and other payables	**(5,110)**	**(5,110)**	(5,710)	(5,710)
Revolving credit facility	**(245,000)**	**(245,000)**	-	-
	(250,110)	**(250,110)**	(5,710)	(5,710)
	(483,725)	**(483,725)**	(205,152)	(205,152)
Net	**(302,872)**	**(302,872)**	88,428	88,428
Total	**(325,254)**	**(325,254)**	69,231	69,231

13. Financial instruments (continued)

Financial instruments carried at fair value

Fair value hierarchy
The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation method used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

	30 June 2015			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Derivative financial liabilities	**-**	**(6,786)**	**(14,278)**	**(21,064)**
Non-derivative financial liabilities	**-**	**-**	**(1,318)**	**(1,318)**
Total	**-**	**(6,786)**	**(15,596)**	**(22,382)**

	31 December 2014			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Derivative financial liabilities	-	(2,636)	(14,473)	(17,109)
Non-derivative financial liabilities	-	-	(2,088)	(2,088)
Total	-	(2,636)	(16,561)	(19,197)

Basis for determining fair values
The following are the significant methods and assumptions used to estimate the fair values of the financial instruments carried at fair value:

Derivative financial instruments
Derivative financial instruments comprise foreign exchange forward contracts and sports betting open positions.

The fair value of foreign exchange forward contracts (Level 2 above) is determined using quoted forward foreign currency exchange rates at the balance sheet date.

The fair value of open sports bets at the period end (Level 3 above) has been calculated using the latest available prices on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The contingent deferred consideration payable balance represents management's best estimate of the fair value of the amounts that will be payable, discounted, as appropriate, using a market interest rate. The fair value is estimated by assigning probabilities, based on management's current expectations, to the potential payout scenarios.

Sensitivity analysis in respect of Level 3 financial instruments carried at fair value
The following sensitivity analysis has been performed for the Level 3 financial liabilities carried at fair value at 30 June 2015 and 31 December 2014:

Sports betting open positions
The fair value of sports betting open positions is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. While it is unlikely that the results of all sporting events would vary against expectation in a similar linear manner, a 10% positive and negative (from the viewpoint of the results of the Group) movement in the overall probability estimate of relevant sporting event outcomes would result in a €1,071,000 decrease and €973,000 increase respectively, in the value of open sports bets at 30 June 2015 (31 December 2014: €1,085,000 decrease and €987,000 increase respectively).

Contingent deferred consideration
The fair value of contingent deferred consideration is primarily dependent on the future performance of both the acquired businesses and the Group against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase and decrease the value of contingent deferred consideration at 30 June 2015 by €127,000 and €132,000 respectively (31 December 2014: €204,000 and €209,000 respectively).

13. Financial instruments (continued)

Movements in the period in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the six months to 30 June 2015 and year to 31 December 2014 are as follows:

	Sports betting open positions €'000	Contingent deferred consideration €'000	Total €'000
Balance at 1 January 2014	(15,851)	(8,076)	(23,927)
Arising on acquisition (Note 10)	-	(1,862)	(1,862)
Recognised in the income statement	(868,821)	2,882	(865,939)
Settlements	870,199	5,386	875,585
Foreign currency translation adjustment	-	(418)	(418)
Balance at 1 January 2015	(14,473)	(2,088)	(16,561)
Arising on acquisition (Note 10)	**-**	**(800)**	**(800)**
Recognised in the income statement	**(519,094)**	**468**	**(518,626)**
Settlements	**519,289**	**1,137**	**520,426**
Foreign currency translation adjustment	**-**	**(35)**	**(35)**
Balance at 30 June 2015	**(14,278)**	**(1,318)**	**(15,596)**

Financial risk management – credit risk of trade and other receivables

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

14. Borrowings

	30 June 2015	31 December 2014
	€'000	€'000
Current liabilities		
Accrued interest on borrowings	**23**	-
	23	-
Non-current liabilities		
Revolving credit facility	**245,000**	-
Less: expenses relating to revolving credit facility	**(2,530)**	-
	242,470	-

During the six month period ended 30 June 2015, the Group secured a committed revolving credit bank loan facility ('RCF') of €300 million provided by a syndicate of banks which expires in May 2020. At 30 June 2015, €245 million of this facility was drawn down.

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries. Borrowings under the RCF incur interest at EURIBOR plus a margin of between 1.10% and 1.95%. A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loan in the consolidated statement of financial position and are being amortised to the income statement over the expected life of the facility.

It is the directors' opinion that due to the Group's bank borrowings being subject to floating interest rates and the proven cash generation capability of the Group, there is no significant difference between the book value and fair value of the Group's borrowings.

Under the terms of the RCF, the Group is required to comply with the following financial covenants on a semi-annual basis.

- Consolidated net borrowings shall not be more than 3.0 times consolidated EBITDA.

- Consolidated EBITDA shall not be less than 4.0 times net finance charges.

15. Dividends paid on ordinary shares

	Six months ended 30 June 2015 €'000	Six months ended 30 June 2014 €'000
Ordinary shares:		
- final dividend of 102.0 cent per share for the year ended 31 December 2014 (31 December 2013: 90.0 cent)	**49,881**	44,392
	49,881	44,392

The directors have proposed an interim dividend of 60.0 cent per share which will be paid on 25 September 2015 to shareholders on the Company's register of members at the close of business on the record date of 4 September 2015. This dividend, which amounts to approximately €26,426,000, has not been included as a liability at 30 June 2015. The interim dividend for the period ended 30 June 2014 was 50.0 cent per share, amounting in total to €24,599,000.

16. Changes in equity

The movement in the number of issued ordinary shares during the period was as follows:

	Number of shares	**Nominal value €**	**Share capital €**
At 1 January 2015 – 51,104,700 ordinary shares of €0.10 each	51,104,700	0.10	5,110,470
Issue of ordinary shares	13,670	0.10	1,367
	51,118,370	0.10	5,111,837
Share capital reorganisation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	51,118,370	0.081	4,140,588
- 51,118,370 'B' ordinary shares of €0.019 each	51,118,370	0.019	971,249
Share capital consolidation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	(51,118,370)	0.081	(4,140,588)
- 51,118,370 'new' ordinary shares of €0.09 each consolidated on a 9 for 10 basis	46,006,533	0.09	4,140,588
Share capital cancellation			
- 51,118,370 'B' ordinary shares of €0.019 each	(51,118,370)	0.019	(971,249)
Issue of ordinary shares	1,495	0.09	135
At 30 June 2015 – 46,008,028 ordinary shares of €0.09 each	**46,008,028**	**0.09**	**4,140,723**

During the six month period ended 30 June 2015, the Group returned €391.5 million to shareholders via a B share scheme, and completed a capital reorganisation which involved the consolidation of its ordinary share capital on a nine for ten basis. The transaction involved a number of steps. The existing ordinary shares in issue at the date of the capital reorganisation of 51,118,370 of €0.10 each were converted into 51,118,370 'intermediate' ordinary shares of €0.081 each and 51,118,370 B shares of €0.019 each. An amount of 2,184,000 B shares were issued to the company and certain of its subsidiaries as a result of treasury shares held. Such shares were not entitled to receive a dividend or redemption payment. The holders of the remaining B shares in issue of 48,934,370 were entitled to receive a payment of €8 per share by way of a once off dividend or a redemption payment. Subsequent to the dividend or redemption payment all B shares were cancelled during the six month period ended 30 June 2015. The 'intermediate' ordinary shares were consolidated and sub-divided into 46,006,533 'new' ordinary shares of €0.09 each.

Other ordinary shares issued during the six month period ended 30 June 2015 and 30 June 2014 were either in respect of share awards to employees or the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes.

A total of 1,965,600 ordinary shares were held in treasury as of 30 June 2015 (30 June 2014: 1,734,000). During the six month period ended 30 June 2015, shares held in treasury were consolidated on a nine for ten basis, reducing the number of shares held in treasury by 218,400 ordinary shares. All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to €51,752,000 as of 30 June 2015 (30 June 2014: €34,177,000). At 30 June 2015, the Company held a further 747,891 of its own shares (30 June 2014: 1,020,372 shares), in respect of potential future awards relating to the Group's Long Term Incentive Plan ('LTIP'). The Group's distributable reserves at 30 June 2015 and 30 June 2014 are further restricted by these respective amounts.

16. Changes in equity (continued)

As detailed in the consolidated statement of changes in equity, the movement in the share-based payment reserve and in the shares held by the long term incentive plan trust is due to the equity-settled share-based payments charge, the vesting of LTIP awards, the purchase of shares by the long term incentive plan trust, net of the return of capital via the B share scheme during the six month period ended 30 June 2015. A total of 410,499 shares in respect of the 2011 and 2012 LTIP awards and related dividends were vested from the long term incentive plan trust to senior and certain other management staff during the six months ended 30 June 2015 (six months ended 30 June 2014: 352,406 shares relating to the 2011 LTIP awards).

The movement in the foreign exchange translation reserve in the six months to 30 June 2015 reflects the strengthening of the AUD and GBP against the Euro in the period.

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. The Group has entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the second six months of 2015 and the first five months of 2016. The fair value loss of €5,936,000 at 30 June 2015 (30 June 2014: €2,301,000), which is stated after applicable deferred taxation of €850,000 (30 June 2014: €331,000), arises as the applicable forward contract EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 30 June 2015 and 30 June 2014.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve.

17. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €27.6m (31 December 2014: €14.2m) with Allied Irish Banks p.l.c. and National Australia Bank Limited. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies and (2) in respect of certain third party rental and other property commitments and letter of credit facilities. The maximum amount of the guarantees at 30 June 2015 was €14,783,000 (31 December 2014: €14,856,000). No claims had been made against the guarantees as of 30 June 2015 or 31 December 2014. The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies, and, at 30 June 2015, were also secured by cash deposits totalling €nil (31 December 2014: €18,769,000) over which the guaranteeing banks hold security. The fair value accounting impact of these guarantees is deemed to be immaterial.

The Group has cash amounts totalling €41,237,000 (31 December 2014: €39,213,000) deposited in client fund accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences.

The Australian corporate sports bookmaking licence issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 30 June 2015, the total value of relevant customer balances attributable to the Online Australia business segment was €34,595,000 (AUD50,335,000) (31 December 2014: €32,770,000 (AUD48,595,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €47,188,000 (AUD68,658,000) (31 December 2014: €65,895,000 (AUD97,716,000)).

As mentioned in Note 14, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

(b) Capital commitments
Capital expenditure contracted for at the statement of financial position date but not yet incurred was as follows:

	30 June 2015	31 December 2014
	€'000	€'000
Property, plant and equipment	**1,032**	1,189
Intangible assets	**-**	548
	1,032	1,737

18. Related parties

There were no material transactions with related parties during the six months ended 30 June 2015 or 30 June 2014 or the year ended 31 December 2014.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

19. Events after the reporting date

Dividend
In respect of the current period, the directors propose that an interim dividend of 60.0 cent per share (2014: 50.0 cent per share) be paid to shareholders on 25 September 2015. This dividend has not been included as a liability in these condensed consolidated interim financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 4 September 2015. The total estimated dividend to be paid amounts to €26,426,000 (2014: €24,599,000)

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INDEPENDENT REVIEW REPORT TO PADDY POWER PLC

Introduction
We have been engaged by Paddy Power plc ('the Company') to review the condensed consolidated interim financial statements in the half yearly financial report for the six months ended 30 June 2015, which comprise the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ('the TD Regulations') and the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half yearly financial report for the six months ended 30 June 2015 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK FCA.

David Meagher
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
Dublin

25 August 2015