"This is really a lovely horse, I once rode her mother."

"Ah, isn't that nice, the wife of the Cambridge president is kissing the cox of the Oxford crew."

"If the bible has taught us nothing else, and it hasn't, it's that girls should stick to girls' sports, such as hot oil wrestling, foxy boxing and such and such."

"I owe a lot to my parents, especially my mother and father."

"One of the reasons Arnie *(Arnold Palmer)* is playing so well is that, before each tee-shot, his wife takes out his balls and kisses them. – Oh my God, what have I just said?"

"It's a game of two halves"

"A fascinating duel between 3 men."

"Séan Óg Ó hAilpín. His father's from Fermanagh, his mother's from Fiji, neither a hurling stronghold."

"I spent a lot of money on booze, birds and fast cars. The rest I squandered."

"For those of you watching in black and white, Spurs are in the all-yellow strip."

"The lead car is absolutely unique, except for the one behind it which is identical."

Paddy Power plc

2005 INTERIM REPORT WITH 2004 RESULTS RESTATED UNDER IFRS

"These greens are so fast they must bikini wax them."

"Well, Clive, it's all about the two M's. Movement and positioning."

2005 INTERIM FINANCIAL HIGHLIGHTS

For the half-year ended 30 June 2005

	Six Months ended 30 June 2005 €'000	Six Months ended 30 June 2004 €'000	% Change
Turnover			
Retail	**401,342**	340,438	17.9%
Telephone	**127,588**	105,828	20.6%
Online	**175,212**	107,832	62.5%
Total Group turnover	**704,142**	554,098	27.1%
Operating Profit			
Retail	**6,653**	12,238	(45.6%)
Telephone	**2,960**	2,305	28.4%
Online	**8,141**	3,646	123.3%
Total operating profit	**17,754**	18,189	(2.4%)
Profit after taxation	**15,796**	15,957	(1%)
Net Assets	**85,974**	66,961	28.4%
Basic earnings per share	**31.7c**	33.3c	(4.7%)
Diluted earnings per share	**31.0c**	31.6c	(1.7%)
Interim dividend per share	**7.75c**	6.20c	25%

Results for the half-year ended 30 June 2004 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards expected to be adopted for use in the European Union by 31 December 2005. See basis of preparation at note 1.

CHAIRMAN'S STATEMENT

I am delighted to report on another successful six months for your Company. The very strong underlying growth seen in 2004 has continued into 2005 with turnover growth of 27% in the period. This growth helped offset the impact of the very favourable 'big race' results enjoyed by the punters in the first half of this year. This contrasts with the same period last year when stellar sporting results for the bookmakers drove record profits. Notwithstanding this, operating profits at €17.8m for the period are only marginally behind the 2004 operating profits of €18.2m, a commendable performance given the run of results.

	H1 2005 €	H1 2004* €
Turnover	**704.1m**	554.1m
Operating profit	**17.8m**	18.2m
Profit before tax	**18.4m**	18.7m
Profit after tax	**15.8m**	16.0m
EPS	**31.72c**	33.30c
Cash balance	**50.1m**	51.6m
Interim dividend	**7.75c**	6.20c

**2004 comparatives have been restated in accordance with IFRS*

The first half of 2005 has seen the continued development of Paddy Power across all business channels. The retail businesses in both Ireland and the United Kingdom ("UK") continue to expand through the organic growth of new outlets while our non retail business continues to grow both its traditional sportsbook business and its new gaming business. The non retail business accounted for over 63% of operating profits in the six months to 30 June 2005 (2004:33%) and will continue to be a major source of growth for us, together with the continued retail expansion.

The external environment continues to change rapidly. We have seen consolidation of significant retail operators through acquisitions in both the UK and Ireland in the past six months, the emergence of poker as a significant global online business, the review of Irish betting tax legislation together with continued legislative change around the world including the passing of the Gambling Act in the UK. We see these changes as opportunities for Paddy Power and I am confident that we are well positioned to take advantage of them.

The economic environment in which we operate continues to support our growth, particularly in Ireland where the economy has been performing very well. Overall consumer spending in the UK economy has been sluggish but it has had little impact given our ability to organically grow the estate and like-for-like sales.

Our commitment to customer service remains as strong as ever. This, combined with continued investment in the brand, has helped ensure we remain the number one bookmaker in Ireland and is driving our continued brand recognition growth in the UK where, based on our most recent market research, we are now established as one of the best known bookmakers. This, combined with a market leading product range across all channels leaves us well positioned for further growth in these markets.

As the Company has evolved so has the Board and management team. In the first half of 2005 we announced the retirement of John O'Reilly and the appointment of Patrick Kennedy as Chief Executive Officer. This appointment will take effect from 1 January 2006. I am sure that Patrick will bring his many talents to bear in Paddy Power over the coming years thereby continuing the successful growth of our Company. I would also like to once again welcome Brody Sweeney who joined the Board on 16 February 2005 as a non-executive director. Further non-executive Board appointments are in progress.

I remain upbeat about the prospects for Paddy Power and look forward to speaking to you again in February.

Fintan Drury
Chairman

30 August 2005

OPERATIONS REVIEW

RETAIL

Expansion of the retail operations has continued in 2005 with new outlets being opened in both Ireland and the UK. As of 30 June 2005 the Group operated 178 outlets (2004: 161).

In Ireland, Paddy Power operated 145 outlets (2004: 141) as of 30 June 2005, an increase of two since 31 December 2004. In addition, a further three (2004: one) outlets have been relocated, three (2004: three) have been extended and ten (2004: 11) refurbished in the six months to 30 June 2005, bringing the total number of premises developed to 18 (2004: 19). The development pipeline remains strong and we expect to see a greater level of outlet growth in the second half of 2005.

Expansion of the UK estate remains in line with plans with a bias to openings in the second half of 2005. As of 30 June 2005, Paddy Power operated 33 outlets, an increase of two since 31 December 2004 and 13 since 30 June 2004. Unopened licences at 30 June 2005 totalled 11. Since 30 June a further two outlets have been opened bringing the total operating outlets to 35 and we are "on site" in six others. Continued success in winning new licences means that, as of 29 August 2005, the Group now holds 14 unopened licences giving a potential estate size of 49 outlets.

Fixed odds betting terminals (FOBTs) and amusement with prizes machines (AWPs) are a feature throughout the UK estate, with a total of 107 machines installed at 30 June 2005 (105 FOBTs and two AWPs). A reduction in the number of suppliers together with improved operating performance of the FOBT machines, has driven average drop per machine per month over the period to €2,695 (2004: €1,477).

The EPOS system development has continued with the system installed in nine test outlets throughout Ireland and the UK. An expansion of the system to approximately 30 test outlets is in progress, following which a final decision is expected by year end on a full estate roll out.

NON RETAIL

The non retail division has experienced continued strong growth across all channels and product lines in 2005, with gaming income becoming increasingly significant to the Group.

The biggest new product launch in the period was poker which, unlike the majority of our other products, does not require Paddy Power to take a risk position in the transaction. We are very pleased with its development to date and have seen strong growth through the summer months, a traditionally quiet period for poker. We will continue to invest in people and marketing through 2006 as we build market share.

The other online businesses continue to grow strongly in both Ireland and the UK. This is being driven by continued investment in the product range, site functionality and brand.

The telephone business has continued to grow and the benefits of the repositioning of this business, which commenced in 2004, are now very evident. Higher average stake per call, higher average bets per customer and improved staff efficiencies have continued into 2005 as we continue to refine the customer base. Given the higher costs of this business, it remains essential to focus on the higher staking customers within the mass market even if it has a short term impact on customer numbers.

John O'Reilly
Chief Executive Officer

30 August 2005

FINANCIAL REVIEW

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The 2005 interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) expected to be adopted for use in the European Union by 31 December 2005. The 2004 comparatives have been restated in accordance with the prescribed conversion methodologies contained within the standards. All discussion within the review is on IFRS based financial statements.

The impact of IFRS is set out in detail in note 1. There is no impact on turnover and gross profit other than reclassifications between costs of sales and operating costs. Operating costs are impacted by the different accounting treatment for share based payment schemes and goodwill. The total impact of these adjustments in the six months to 30 June 2004 was to reduce operating profit by only €14,000. There have also been a small number of reclassifications within the balance sheet.

TURNOVER

Turnover growth for the six months to 30 June 2005 was 27.08% bringing turnover to €704.1m (2004: €554.1m). This reflects strong growth across all three divisions. Turnover in 2004 included approximately €12m on the Euro 2004 Football Championship. No replacement event took place in 2005.

– RETAIL

Retail turnover was €401.3m (2004: €340.4m) an increase of 17.89%. Retail turnover growth in Ireland and the UK was 14.12% and 59.79% respectively. Like-for-like turnover growth in Ireland was 10.5%. Average slip size for the total estate grew by 3.8% to €18.53 from €17.85. Slip volumes grew by 13.6% from 19.1m to 21.7m

– NON RETAIL

Telephone betting turnover grew by 20.6% from €105.8m to €127.6m with very strong growth in the Irish market. Growth rates in the UK were modest due to the continued repositioning of the business as noted below. Average stake was €88.73 (2004: €77.02) an increase of 15.20%. Bet volumes increased by 4.7% to 1.44m (2004: 1.37m). The work that commenced in 2004 to refocus the telephone business at the higher end of the mass market has resulted in strong underlying growth in this business as we encourage the lower staking customers to use the internet while focusing both our customer retention and acquisition efforts on higher staking customers. Total active customers (those who have bet in the last three months) were 21,433 (2004: 21,607). Of these 12,474 (2004: 12,539) were Irish and 8,959 (2004: 9,068) were from the UK.

Online turnover increased by 62.5% to €175.2m from €107.8m, an outstanding performance. In general, turnover on gaming product comprises the operator's 'hold', which represents 2% to 3% of the amount staked, while turnover from the peer-to-peer products, including poker, represents the commission income (rake). The gross win percentage of this business is generally 100%. Conversely, bookmaking product and fixed odds games turnover represents the total amounts staked by customers while the gross win reflects turnover less winnings paid out. Consequently, turnover as a measure of growth, understates the underlying growth of the overall business as the level of gaming activity increases within the online division.

Turnover from the sportsbook was €153.8m (2004: €104.7m) an increase of 46.9%. Turnover from gaming activities totalled €21.4m (2004: €3.1m) an increase of 588.7%. Gaming activity includes the casino, poker, peer-to-peer games and various fixed odds games.

Average bet size in the sportsbook was €28.30 (2004: €25.63) an increase of 10.5%.

Total active online customers (those who have bet in the last three months) were 73,999 (2004: 54,349) an increase of 36.2%. Of these 69,097 bet on at least the sportsbook. 59,132 were solely sportsbook customers, and 14,867 were both sportsbook and gaming customers. Of the total customer base 26,818 (2004: 21,913) were Irish and 47,181 (2004: 32,436) were from the UK.

Customer retention continues to improve across all the non retail businesses and customer acquisition costs remain very competitive.

GROSS WIN AND GROSS PROFIT

Gross win is measured in sports betting and fixed odds games as amounts staked (excluding betting taxes and levies) less the amount returned to customers as winnings. For casino bets and poker rake the customer drop is recorded in both turnover and gross win at 100% margin. Overall gross win rose by 12.1% to €80.9m (2004: €72.2m).

The following gross win percentages were achieved:

Gross Win	**H1 2005**	H2 2004	H1 2004
Retail	**12.4%**	11.6%	14.2%
Telephone	**8.6%**	6.7%	10.4%
Online	**11.6%**	9.7%	12.0%

Gross win percentages in the sportsbook were exceptionally strong in the first six months of 2004 but reverted to their more normal levels in 2005, albeit lower than expected. This was primarily due to the adverse horse racing results throughout the period with a large number of big races being won by favourites. These results had the greatest impact on the retail division which is most exposed to horseracing.

Gross profit, measured as gross win less the cost of discounting bets, gross win taxes, data rights and third party profit shares rose by 11.4% to €68.7m from €61.6m.

FINANCIAL REVIEW

The following gross profit percentages were achieved:

Gross Profit	**H1 2005**	H2 2004	H1 2004
Retail	**10.9%**	10.2%	12.6%
Telephone	**7.4%**	6.0%	8.8%
Online	**8.9%**	8.1%	8.7%

OPERATING PROFIT

Operating profit fell by 2.4% to €17.8m (2004: €18.2m) with a significant increase in operating profit in the non retail business being offset by lower operating profit in the retail division. The non retail profit improvements were driven by the strong turnover growth in the sports betting business combined with the strong growth in gaming products. These more than compensated for the poor racing results and increased cost base. Non retail operating profit comprised 63% of operating profits.

Notwithstanding the strong like-for-like sales increase, retail profits fell due to the significantly poorer gross win percentages achieved in 2005 in comparison to 2004, together with the cost of further expansion of the retail estate in Ireland and the UK. This reflects the sensitivity of the retail business to large changes in gross win percentages and does not indicate any structural revenue or cost management issues.

Overall operating costs continue to grow with the expansion of the business and the commitment to investing up front in new businesses.

TAXES

The corporation tax charge for the six months to 30 June 2005 was €2.6m (2004: €2.7m), an effective rate of 14.0% (2004:14.5%). Paddy Power's effective rate is 1.5% above the Irish statutory rate due to a number of non-deductible expenses and its passive income which is taxed above the statutory rate.

CASH FLOW

Net cash flow from operating activities for the six months ended 30 June 2005 fell by 21% to €25.0m from €31.6m in 2004. While operating profits were broadly flat on 2004, the working capital contribution, while positive at €1.1m, was lower than the €9.4m generated in 2004. This was largely due to high Euro 2004 antepost betting in June 2004, and changes in the timings of payments such as taxes and other supplier payments between December 2003 and December 2004. The cash was applied acquiring fixed assets of €11.5m comprising the fit-out of new and relocated outlets as well as computer equipment. In addition, dividends of €6.3m, the funding of share purchases by the trustees of the long-term incentive plan of €2.6m, and corporation taxes of €2.4m were paid during the period. Cash received from the exercise of share options amounted to €0.1m. Cash balances at 30 June 2005 were €50.1m compared to € 47.2m at 31 December 2004. This includes cash balances held on behalf of customers of €6.9m (December 2004: €6.5m).

DIVIDENDS

The Board has decided to pay an interim dividend of 7.75c (2004: 6.2c) per share, an increase of 25% payable on 23 September 2005 to shareholders on the register at the close of business on 9 September 2005. This reflects the Board's desire to have a progressive dividend policy that is not impacted by short-term adverse sporting results.

OUTLOOK

Since 30 June 2005 gross win percentages have been disappointing in the sportsbook with percentages at 11.4%, 8.05% and 5.11% for the retail, online and telephone divisions respectively. Online gaming and poker have continued to grow in line with expectations, and the Group will continue to invest in people and marketing to develop these products during the remainder of the year.

As ever, the outturn for the year will depend on the gross win over the coming months. The Group remains confident of meeting its expansion plans for the year and is well positioned for continued growth in 2006.

Ross Ivers
Finance Director

30 August 2005

SUBSTANTIAL HOLDINGS AND DIRECTORS' INTERESTS

Other than the interests of the Directors, the Secretary and connected persons and the interests noted below, the Company is not aware of any other person who is interested, directly or indirectly, in five percent or more of the Company's issued share capital.

Number of ordinary shares of €0.10 each

	30 August 2005	%
John O'Reilly	**613,889**	1.2
Ross Ivers[1]	**3,007**	
Breon Corcoran	**20,000**	
David Power	**4,398,788**	8.8
Stewart Kenny	**419,832**	0.8
Fintan Drury	**19,400**	
Patrick Kennedy	**3,000**	
Stephen Thomas	**5,000**	
Nigel Northridge	**1,000**	
Brody Sweeney	**-**	
Nuala Hunt (Secretary)	**3,500**	
Capital Group Companies	**2,785,900**	5.6
Fidelity Investments Ltd	**5,451,581**	10.9

1 *Shares are held via the Noosa Pension Fund in which Ross Ivers has a beneficial interest.*

INDEPENDENT REVIEW REPORT TO PADDY POWER PLC

INTRODUCTION

We have been engaged by the company to review the financial information set out on pages 10 to 23 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Irish Stock Exchange and the UK Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use in the European Union.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in Ireland and the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG

KPMG
Chartered Accountants
Dublin
30 August 2005

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2005 – *unaudited*

	Note	**Six months ended 30 June 2005**	Six months ended 30 June 2004 (Restated)	Year ended 31 December 2004 (Restated)
		€'000	€'000	€'000
Revenue		**704,142**	554,098	1,165,165
Cost of winning bets		**(635,491)**	(492,471)	(1,049,532)
Net revenues from betting activities		**68,651**	61,627	115,633
Employee costs		**24,243**	20,539	40,212
Property expenses		**8,489**	7,037	14,406
Marketing expenses		**5,975**	4,400	7,485
Technology & communications		**3,995**	4,031	7,212
Depreciation & amortisation		**5,318**	3,584	8,624
Other expenses		**2,877**	3,847	6,591
Total operating expenses		**50,897**	43,438	84,530
Operating profit before financing costs		**17,754**	18,189	31,103
Financial income		**613**	512	1,060
Financial expenses		**–**	(36)	(54)
Profit before tax		**18,367**	18,665	32,109
Income tax expense		**(2,571)**	(2,708)	(4,662)
Profit for the period		**15,796**	15,957	27,447
Basic earnings per share	*3*	**31.7c**	33.3c	56.6c
Diluted earnings per share	*3*	**31.0c**	31.6c	54.2c
Proposed dividend per share for period	*4*	**7.75c**	6.20c	18.72c

Results for the half-year ended 30 June 2004 and for the year ended 31 December 2004 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards expected to be adopted for use in the European Union by 31 December 2005. See basis of preparation at note 1.

CONSOLIDATED INTERIM STATEMENT OF MOVEMENTS IN EQUITY

For the six months ended 30 June 2005 – *unaudited*

	Six months ended 30 June 2005	Six months ended 30 June 2004 (Restated)	Year ended 31 December 2004 (Restated)
	€'000	€'000	€'000
Profit for the period	**15,796**	15,957	27,447
Dividends to shareholders	**(6,265)**	(4,113)	(7,212)
Retained profit for the period	**9,531**	11,844	20,235
Shares purchased by employee trust	**(2,623)**	(2,306)	(2,306)
Increase in employee share-based payments reserve	**765**	451	906
Share issues, net of costs	**157**	592	2,929
Opening Equity	**78,144**	56,380	56,380
Closing Equity	**85,974**	66,961	78,144

Movements in equity for the half-year ended 30 June 2004 and for the year ended 31 December 2004 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards expected to be adopted for use in the European Union by 31 December 2005. See basis of preparation at note 1.

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2005 – *unaudited*

	Note	**30 June 2005**	30 June 2004 (Restated)	31 December 2004 (Restated)
		€'000	€'000	€'000
Assets				
Property, plant and equipment		**65,397**	49,201	59,499
Intangible assets		**3,175**	1,832	3,032
Trade and other receivables		**2,925**	1,885	2,290
Cash and cash equivalents		**50,107**	51,611	47,206
Total assets		**121,604**	104,529	112,027
Equity				
Issued capital		**5,018**	4,811	5,005
Share premium		**6,824**	4,537	6,680
Shares held by employee trust		**(4,929)**	(2,306)	(2,306)
Reserves		**2,618**	1,398	1,853
Retained earnings		**76,443**	58,521	66,912
Total equity		**85,974**	66,961	78,144
Liabilities				
Trade and other payables		**34,828**	36,643	33,007
Deferred tax liabilities		**802**	925	876
Total liabilities		**35,630**	37,568	33,883
Total equity and liabilities		**121,604**	104,529	112,027

The financial position as at 30 June 2004 and 31 December 2004 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards expected to be adopted for use in the European Union by 31 December 2005. See basis of preparation at note 1.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005 – *unaudited*

	Six months ended 30 June 2005	Six months ended 30 June 2004 (restated)	Year ended 31 December 2004 (restated)
	€'000	€'000	€'000
Cash flows from operating activities			
Profit before tax	**18,367**	18,665	32,109
Financial income	**(613)**	(512)	(1,060)
Financial expenses	**–**	36	54
Depreciation and amortisation	**5,318**	3,584	8,624
Cost of employee share-based payments	**765**	451	906
Gain/(loss) on disposal of fixed assets	**90**	9	(31)
Cash from operations before changes in working capital	**23,927**	22,233	40,602
(Increase)/ decrease in trade and other receivables	**(578)**	167	(129)
Increase in trade and other payables	**1,629**	9,166	4,548
Cash generated from operations	**24,978**	31,566	45,021
Interest paid	**–**	(22)	(54)
Income taxes paid	**(2,450)**	(1,801)	(3,800)
Net cash from operating activities	**22,528**	29,743	41,167
Cash flows from investing activities			
Purchase of property, plant and equipment	**(11,364)**	(12,281)	(25,949)
Acquisitions of intangible assets and goodwill	**(176)**	(102)	(1,330)
Proceeds from disposal of property, plant and equipment	**88**	19	69
Interest received	**556**	588	1,086
Net cash used in investing activities	**(10,896)**	(11,776)	(26,124)
Cash flows from financing activities			
Capital element of finance lease payments	**–**	(187)	(421)
Proceeds from the issue of new shares	**157**	592	2,929
Purchase of shares by employee trust	**(2,623)**	(2,306)	(2,306)
Dividends paid	**(6,265)**	(3,628)	(7,212)
Net cash used in financing activities	**(8,731)**	(5,529)	(7,010)
Net increase in cash and cash equivalents	**2,901**	12,438	8,033
Cash and cash equivalents at start of period	**47,206**	39,173	39,173
Cash and cash equivalents at end of period	**50,107**	51,611	47,206

The cashflows for the half-year ended 30 June 2004 and for the year ended 31 December 2004 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards expected to be adopted for use in the European Union by 31 December 2005. See basis of preparation at note 1.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation and Provisional Accounting Policies

The financial statements are prepared under the historical cost convention and are presented in euro, rounded to the nearest thousand.

Further to IAS Regulation (EC1606/2002), European Union ('EU') law requires that the next annual consolidated financial statements of the Group for the year ended 31 December 2005 be prepared in accordance with accounting standards adopted for use in the EU ('Accounting standards adopted for use in the EU').

This interim financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards and International Accounting Standards (collective 'IFRS') in issue that either are adopted for use in the EU and effective (or available for early adoption) at 31 December 2005 or are expected to be adopted and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use accounting standards adopted for use by the EU. Based on these recognition and measurement requirements management has made assumptions about the accounting policies expected to be applied when the first annual financial statements are prepared in accordance with accounting standards adopted by the EU for the year ending 31 December 2005.

The accounting standards adopted for use in the EU that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

The interim consolidated financial information was authorised for issue by the Directors on 30 August 2005.

An explanation of how the transition to IFRS has affected the financial information is outlined below:

First time adoption of International Financial Reporting Standards ('IFRS').

Up to and including the year ended 31 December 2004, the Group's financial statements were prepared in accordance with generally accepted accounting principles as promulgated by the Institute of Chartered Accountants in Ireland (Irish GAAP).

IFRS 1 'First-time adoption of International Financial Reporting Standards' (IFRS1), is the accounting standard governing the implementation of IFRS for the first time. This standard allows or requires a number of exceptions to its general principles that the standards in force at the reporting date should be applied retrospectively. At the transition date 1 January 2004, the exemptions to retrospective implementation availed of are that the Group has implemented the requirements of IFRS 2 'Share-based Payments' to all equity settled share based payments granted after 7 November 2002 that had not vested by 1 January 2005 and has not restated business combinations prior to the transition date in accordance with IFRS3 'Business Combinations'.

The principal changes to the Group's financial statements resulting from the implementation of IFRS are set out in the table and related notes below:

Restatement of Consolidated Income Statement under Irish GAAP to IFRS

	Six months ended 30 June 2004 €'000	Year ended 31 December 2004 €'000
Operating Profit – Irish GAAP	**18,203**	31,134
IFRS 2 – Share-based payments	**(74)**	(152)
IFRS 3 – Business Combinations	**60**	121
Operating Profit – IFRS	**18,189**	31,103

Restatement of Consolidated Balance Sheet under Irish GAAP to IFRS

	Six months ended 30 June 2004 €'000	Year ended 31 December 2004 €'000
Total Assets – Irish GAAP	**104,469**	111,906
IFRS 3 – Business Combinations	**60**	121
Total Assets – IFRS	**104,529**	112,027
Total Liabilities – Irish GAAP	**40,551**	40,117
IAS 10 – Events after the Balance Sheet date	**(2,983)**	(6,234)
Total Liabilities – IFRS	**37,568**	33,883
Total Equity – Irish GAAP	**63,918**	71,789
IFRS 3 – Business Combinations	**60**	121
IFRS 2 – Share-based payments	**–**	–
IAS 10 – Events after the Balance Sheet date	**2,983**	6,234
Total Equity – IFRS	**66,961**	78,144

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Restatement of Consolidated Balance Sheet under Irish GAAP to IFRS (continued)

Total Equities and Liabilities – Irish GAAP	**104,469**	111,906
IFRS 3 – Business Combinations	**60**	121
IFRS 2 – Share-based payments	**–**	–
Total Equities and Liabilities – IFRS	**104,529**	112,027

IFRS 2 'Share-based payments'

The effect on the income statement of implementing IFRS2 to the various Group share-based payment schemes is an increase in employee expenses of €74,000 and €152,000 for the six months ended 30 June 2004 and the year ended 31 December 2004 respectively. This cost gives rise to a corresponding increase in a newly created reserve for employee share-based payments. In addition to the income statement effect, IFRS2 resulted in a reclassification of reserves from retained earnings to the reserve for employee share-based payments. This resulted in transfers of €25,000, €377,000 and €754,000 from retained earnings to the reserve for employee share-based payments as at 1 January 2004, 30 June 2004 and 31 December 2004 respectively.

IFRS 3 'Business Combinations'

The effect on the income statement of implementing IFRS3 is a decrease in the goodwill expense of €60,000 and €121,000 for the six months ended 30 June 2004 and the year ended 31 December 2004 respectively, due to the cessation of goodwill amortisation in respect of acquisitions.

IAS 38 'Intangible Assets'

The Group has reviewed the requirements of IAS 38 'Intangible Assets' and has reclassified assets, principally licence acquisition costs and computer software, from property, plant and equipment to intangibles based on the definition of an intangible outlined in the standard.

The effect on the income statement of implementing IAS38 is a reclassification of depreciation expense to amortisation expense of €21,000 and €48,000 for the six months ended 30 June 2004 and the year ended 31 December 2004 respectively. The net overall effect on the income statement of the reclassification is nil. The effect on the balance sheet is a reduction in the cost of property, plant and equipment and an increase in the cost of intangible assets of €876,000, €978,000 and €1,228,000 as at 1 January 2004, 30 June 2004 and 31 December 2004 respectively. Similarly accumulated depreciation is reduced by €28,000, €49,000 and €76,000 as at 1 January 2004, 30 June 2004 and 31 December 2004 respectively, with corresponding increases in the accumulated amortisation of intangibles. This gives an overall effect of a reduction in the net book value of property plant and equipment and an increase in intangible assets of €848,000, €929,000 and €1,152,000 as at 1 January 2004, 30 June 2004 and 31 December 2004 respectively.

IAS 10 'Events after the Balance Sheet Date'

Under IAS 10 'Events after the Balance Sheet Date', dividends are provided for in the period when they are approved by the directors (interim dividend) or shareholders (final dividend). The effect on the balance sheet is a reduction in trade and other payables and increase in retained earnings of €4,106,000, €2,983,000 and €6,234,000 as at 1 January 2004, 30 June 2004 and 31 December 2004 respectively.

Provisional Accounting Policies

The accounting policies adopted by the Group under IFRS, in the preparation of these interim statements and which are expected to apply for the year ended 31 December 2005, are set out below. Full details of the accounting policies applied in previous periods under Irish GAAP can be found on page 41 of the 2004 Annual Report.

Basis of Consolidation

The Group's financial statements consolidate the financial statements of Paddy Power plc and its subsidiary undertakings based on accounts made up to the end of the financial period. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation.

Revenue

Revenue represents proceeds from sports betting and gaming activities. Sports betting turnover represents amounts received in respect of bets placed on events that occurred during the period. Gaming revenue comprises Games turnover and Casino revenue. Games betting turnover, represents amounts received in respect of bets on games completed during the period and Casino revenue is 'customer drop' which is the amounts staked net of customer winnings. Revenue is exclusive of betting taxes and levies.

Segment Reporting

Business segments are distinguishable components of the Group that provide products and services that are subject to risks and returns that are different from other business segments. Geographical segments provide services within a particular economic environment that are subject to risks and rewards that are different from those components operating in alternative economic environments. The Group has determined that business segments are the primary reporting segments.

Foreign Currency

The consolidated financial statements are presented in euro. Transactions denominated in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into euro at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary assets and liabilities measured on a historical cost basis in a foreign currency are translated using the exchange rate at the date of the original transaction. The asset and liabilities of foreign operations, including goodwill arising on consolidation, are translated to euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at rates approximating to the foreign exchange rates ruling

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Property, Plant and Equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment on a straight line basis over their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years
Leasehold improvements	unexpired term of the lease (including renewal period where initial lease term is less than ten years)
Fixtures and fittings	5-7 years
Computer equipment	3 years
Motor vehicles	3 years

The residual value, if not insignificant, is reassessed annually.

Intangible Assets including Goodwill
Goodwill recognised under Irish GAAP prior to the date of transition to IFRS is stated at net book value as at the transition date. Goodwill recognised subsequent to 1 January 2004, representing the excess of purchase consideration over fair value of net assets acquired defined in accordance with IFRS3 'Business Combinations', is capitalised. Goodwill is not amortised but is reviewed for impairment annually. Any impairment in the value of goodwill is dealt with in the income statement in the period it which it arises.

Other acquired intangible assets, including licences and computer software are capitalised at cost and amortised on a straight line basis over their estimated useful economic lives. The estimated useful lives of intangible assets range from 5 to 20 years.

Impairment
The carrying amounts of property, plant and equipment, and intangible assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists the recoverable amount of the asset or its cash generating units is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Goodwill was tested for impairment at 1 January 2004, the date of transition to IFRS, even though no indication of impairment existed.

The recoverable amount of other assets is the greater of their sales price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the business segment to which the asset belongs.

Leases and Leased Assets
Leases, under the terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment loss. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability and the charge is allocated to the income statement during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease rentals payable are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more appropriate.

Interest
Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

Income tax
Income tax in the income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Pensions

The Group operates a number of defined contribution schemes. Obligations for contributions are recognised as an expense in the income statement as incurred.

Employee Benefits

The Group operates equity-settled share option schemes for employees under which employees acquire options over company shares. The fair value of share options granted is recognised as employee benefit cost with a corresponding increase in the employee share-based reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Group operates an equity-settled share save scheme ('SAYE') for employees under which employees acquire options over company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as employee benefit cost with a corresponding increase in the employee share-based reserve. The fair value is measured at grant date and spread over the period of the savings contract. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Group operates an equity-settled long-term incentive scheme for selected senior executives under which the executives are conditionally awarded shares which vest upon the achievement of predetermined earnings targets. The fair value is measured at the award date and is spread over the period during which the employees become unconditionally entitled to the shares with a corresponding increase in the employee share-based reserve. The fair value of the shares conditionally awarded is measured using the market price of the shares at the time of award.

Payments to the long term incentive plan's trustees to acquire company shares which have been conditionally awarded to executives under the terms of the long-term incentive plan are shown separately in equity in the consolidated balance sheet.

Share Capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or in the case of the interim dividend, when it has been approved by the Board of Directors. Dividends declared after the balance sheet date are disclosed in the subsequent events note.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows comprises cash balances, and call deposits.

2 Segmental Information - restated

(a) By business segment

	Retail 30/6/05 €'000	Retail 30/6/04 €'000	Retail 31/12/04 €'000	Non Retail 30/6/05 €'000	Non Retail 30/6/04 €'000	Non Retail 31/12/04 €'000	Total 30/6/05 €'000	Total 30/6/04 €'000	Total 31/12/04 €'000
Revenue	401,342	340,438	688,651	302,800	213,660	476,514	704,142	554,098	1,165,165
Segment result	7,188	12,822	18,716	12,137	7,150	15,369	19,325	19,972	34,085
Unallocated group expenses							(1,571)	(1,783)	(2,982)
Operating profit							17,754	18,189	31,103
Financial income/expense							613	476	1,006
Taxation							(2,571)	(2,708)	(4,662)
Profit after tax							15,796	15,957	27,447
Segment assets	65,878	47,238	59,313	8,124	7,371	7,381	74,002	54,609	66,694
Unallocated group assets							47,602	49,920	45,333
Total assets							121,604	104,529	112,027
Segment liabilities	7,240	9,484	9,675	11,044	11,002	10,218	18,284	20,486	19,893
Unallocated group liabilities							17,346	17,082	13,990
Total liabilities							35,630	37,568	33,883
Capital expenditure	9,694	10,445	24,645	1,529	1,726	3,097	11,223	12,171	27,742
Depreciation	4,018	2,638	6,585	1,300	946	2,039	5,318	3,584	8,624
Non cash expenses other than depreciation	401	235	440	454	225	435	855	460	875

(b) By geographical segment

	Ireland & Other 30/6/05 €'000	Ireland & Other 30/6/04 €'000	Ireland & Other 31/12/04 €'000	UK 30/6/05 €'000	UK 30/6/04 €'000	UK 31/12/04 €'000	Total 30/6/05 €'000	Total 30/6/04 €'000	Total 31/12/04 €'000
Revenue	486,176	408,023	829,541	217,966	146,075	335,624	704,142	554,098	1,165,165
Segment assets	95,013	88,666	96,549	26,591	15,863	15,478	121,604	104,529	112,027
Capital expenditure	7,478	6,883	17,084	3,745	5,288	10,658	11,223	12,171	27,742

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Further analysis of the business segments by channel shows:

	Six months ended 30 June 2005	Six months ended 30 June 2004 (Restated)	Year ended 31 December 2004 (Restated)
	€'000	€'000	€'000
Turnover			
Retail	**401,342**	340,438	688,651
Telephone	**127,588**	105,828	236,546
Online	**175,212**	107,832	239,968
	704,142	554,098	1,165,165
Gross Win			
Retail	**49,628**	48,284	88,701
Telephone	**10,985**	10,962	19,664
Online	**20,319**	12,945	25,745
	80,932	72,191	134,110
Gross Profit			
Retail	**43,684**	42,940	78,296
Telephone	**9,448**	9,258	17,151
Online	**15,519**	9,429	20,186
	68,651	61,627	115,633
Operating Profit			
Retail	**6,653**	12,238	17,727
Telephone	**2,960**	2,305	4,549
Online	**8,141**	3,646	8,827
	17,754	18,189	31,103

3 Earnings per Share

	Six months ended 30 June 2005	Six months ended 30 June 2004 (Restated)	Year ended 31 December 2004 (Restated)
	€'000	€'000	€'000
Profit attributable to ordinary shareholders	**15,796**	15,957	27,447
Weighted average number of shares in issue during the period	**49,792**	47,919	48,536
Dilutive effect of options outstanding	**1,135**	2,631	2,054
Adjusted weighted average number of shares in issue during the period	**50,927**	50,550	50,590
Basic earnings per share	**31.7c**	33.3c	56.6c
Diluted earnings per share	**31.0c**	31.6c	54.2c

4 Post Balance Sheet Event

Interim Dividend

On 30 August 2005, the Directors declared an interim dividend of 7.75c per share. This will be paid on 23 September 2005 to Shareholders on the Company's register of members at the close of business on the record date of 9 September 2005.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

1. Listings
Paddy Power plc is an Irish registered company. Its ordinary shares are quoted on the Irish Stock Exchange and the London Stock Exchange.

2. Company Registrar
Enquiries concerning shareholdings should be addressed to the Company Registrar:
Computershare Investor Services (Ireland) Ltd, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

Telephone: +353-1-216 3100.
Facsimile: +353-1-216 3151.
Website: www.computershare.com

3. Payment of Dividends Direct to a Bank Account
Shareholders resident in Ireland or the UK may have their dividends paid by electronic transfer direct to a designated bank account, under advice from the Company, showing full details of the amounts so credited. Shareholders who wish to avail of this facility should contact the Company Registrar.

4 . Payment of Dividends in euro
Dividends are paid in euro unless the shareholder opts for a sterling dividend payment. Shareholders requiring sterling dividend payment should contact the Company Registrar.

5. Crest
Transfer of the Company's shares takes place through the CREST settlement system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

6. Dividend Withholding Tax ('DWT')
With certain exceptions, dividends paid by Irish resident companies are subject to DWT at the standard rate of income tax, applied at the rate of 20% from 6 April 2001. DWT where applicable, is deducted by the Company from all dividends. Each shareholder receives a statement showing the shareholder's name & address, the dividend payment date, the amount of the dividend, and the amount of DWT, if any, deducted therefrom. In accordance with the requirements of legislation, this information is also furnished to the Irish Revenue Commissioners.

Shareholders should take professional advice if they are in any doubt about their individual tax positions. Further information concerning DWT may be obtained from the DWT Section of the Office of the Revenue Commissioners, based at Conlon's Road, Nenagh, Co. Tipperary. The telephone number for the Revenue Commissioners is 353-67-33533 or they can be contacted on email to info@dwt.revenue.ie.

6. Electronic Communications
Paddy Power offers shareholders the ability to receive their communications from the Company electronically. This is obviously an efficient means of communication that is more environmentally friendly and gives cost and time savings for the Company which in turn benefits the shareholders.

To register for Electronic Shareholder Communications go to
www.computershare.com/register/ie
Scroll down on 'Company Selection' and select 'Paddy Power plc' from the drop down menu
Click on 'Submit'
Complete the shareholder details including the SRN number which is on the share certificate or dividend counterfoil. Once the request is processed a confirmation e-mail will be returned.

7. Financial Calendar

Announcement of interim results for 2005	31 August 2005
Ex-dividend date for interim dividend	7 September 2005
Record date for interim dividend	9 September 2005
Interim dividend payment date	23 September 2005