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PADDY POWER plc
INTERIM REPORT 2007

Paddy Power plc

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2007 Interim Financial Highlights

For the six months ended 30 June 2007 – *unaudited*

	Six months ended 30 June 2007	Six months ended 30 June 2006	% Change
	€m	€m	
Amounts staked by customers			
Irish Retail	**461**	415	+11%
UK Retail	**83**	60	+38%
Retail Division	**544**	475	+15%
Online	**297**	248	+20%
Telephone	**153**	155	-2%
Total amounts staked *	**994**	878	+13%
	€'000	€'000	
Revenue			
Irish Retail	**67,716**	51,584	+31%
UK Retail	**15,106**	10,257	+47%
Retail Division	**82,822**	61,841	+34%
Online	**45,600**	30,757	+48%
Telephone	**15,340**	12,369	+24%
Total revenue *	**143,762**	104,967	+37%
Operating profit / (loss)			
Irish Retail	**22,497**	9,751	+131%
UK Retail	**(526)**	(3,030)	n/a
Retail Division	**21,971**	6,721	+227%
Online	**14,811**	9,696	+53%
Telephone	**4,056**	3,203	+27%
Total operating profit	**40,838**	19,620	+108%
Profit for the period	**35,458**	17,496	+103%
Basic earnings per share	**70.6c**	34.8c	+103%
Interim dividend per share	**16.00c**	9.43c	+70%

* Amounts staked by customers (or 'turnover') represents amounts received in respect of bets placed on sporting events that occurred during the period and net winnings and commissions earned on gaming activities. Revenue (or 'gross win') represents the net gain on sports betting transactions (stake less payout) and net winnings and commissions earned on gaming activities.

Interim Statement

I am delighted to report on an outstanding first half of 2007 for Paddy Power with the following highlights:

- Operating profit growth of 108% to €40.8m;
- A marked improvement in the performance of our UK Retail business which traded profitably compared to a full year loss of €6.0m in 2006;
- Operating profit growth of 131% in our Irish Retail business;
- Operating profit growth of 53% and 27% in our online and telephone businesses respectively;
- Continued investment to drive future growth, including the introduction of online financial spread betting and online Spanish language betting businesses in the summer;
- The acquisition of four shops in Ireland and an additional four since the period end;
- Cash returns to shareholders of €59.3m through a combination of dividends and share buybacks;
- Last, but not least, an exceptionally favourable run of sporting results…

While the summer weather was poor it was nothing compared to the 'perfect storm' experienced by many punters during the first half of 2007! Whether it was in horse racing, soccer, rugby or golf, a stream of apparently unlikely and, certainly lightly backed, results came to pass. The 'luck of the Irish' was little in evidence with a succession of fancied Irish horses beaten at Cheltenham, Ascot and in the Classics. This resulted in gross win percentages above the expected ranges in all our sportsbook channels, with the largest positive variances in those channels with the highest exposure to Irish punters. When the going gets tough some people grow a beard and hide in a bunker but we went for the get going approach. We ran some of our most generous 'specials' during the period, building our brand and customer loyalty for the future. Despite the run of bookmaker-friendly results inevitably impacting turnover growth (so called 'negative recycling'), and the absence of the World Cup, we also achieved double digit turnover growth in both our Retail and Non Retail divisions.

Historically the second half of the year tends to produce a lower gross win percentage for Paddy Power than the first half, as more predictable ground conditions deliver fewer upsets in racing. However in July and August this year the variable weather conditions have resulted in gross win percentages close to the mid-point of the guided ranges which serves to remind us of the potential for our short-term financial performance to be influenced by sporting results and other factors, all outside our control. We know from long experience the old adage of 'what goes around comes around' applies to sporting results.

Interim Statement (continued)

The Retail Division

The gross win percentages in the first half of the year within Irish and UK Retail were 14.7% and 12.6% respectively, compared to 12.4% and 12.5% in the comparable period. This performance was driven by a set of results that even our most wizened and experienced colleagues regarded as unprecedented. In the last five reporting periods prior to this, our Retail division's gross win percentage has averaged 12.0%, in line with the mid-point of our ongoing guided range of 11.0% to 13.0%. Equally, UK Retail (and business from UK customers within Non Retail) had gross win percentages in the current period near the mid-point of their guided ranges. The divergence in the Irish and UK Retail percentages highlights the impact of the different performance of the favoured selections amongst Irish and UK punters. Picking a winner was difficult; picking an Irish winner seemed nigh impossible. We tried to cushion the blow for our punters with our trademark Money-Back Specials including the Cheltenham special refunding all losing bets on any horse that finished second to a favourite; this was offered on one race on each of the first three days and expanded to every race by the Friday. We continue to monitor closely current gross win percentages and expectations for the future; however recycling, negative and positive, does counterbalance some of the impact of gross win percentage movements.

The launch of Turf TV was a significant development in the supply of pictures from racecourses to shops, as well as a graphic illustration of our commitment to giving customers what they want. Since April, Turf TV has had the picture rights from six UK racecourses, with a further 25 of the UK's 59 racecourses committed to join the service in January 2008. Paddy Power was the first major chain of bookmakers to sign up for Turf TV, ensuring our customers could continue to watch live racing from every racecourse in the UK and Ireland without interruption. Our infrared shop television control technology and central production studio also ensures that the SIS and Turf TV pictures are seamlessly integrated. Despite the incremental cost, we are confident this approach will be rewarded, particularly by focussing on the opportunity it gives us to win customers from competitors without this service. Significantly, 80% of betting shops in the UK do not currently have Turf TV. In recent months, we have therefore complemented this differentiation with a traditional Paddy Power Money-Back Special, but taken to a whole new level – money back on <u>all</u> losers - for three selected races over the day, announced immediately after the off. We can't think of a better way to showcase to a new customer the Paddy Power commitment to customer service, product quality and our brand values of fun, fair and friendly.

The benefits of the Electronic Point of Sale ('EPOS') system rolled out last year continue to accrue in a range of areas. This year's Cheltenham Festival and Grand National were the first for many shops with EPOS and we were pleased with the improvement in customer service from speedier bet placement and collection, including the benefit of EPOS readable 'mark sense' dockets for shop coupons and press promotions. We are also extracting more benefits by continuously refining and acting upon information from the system for operational management, marketing, risk and security.

Interim Statement (continued)

(i) Irish Retail

€m	H1 2007	H1 2006	% Change
Amounts staked	460.9	414.4	+11%
Gross win	**67.7**	**51.6**	**+31%**
Gross profit	62.9	43.0	+46%
Operating costs	(40.4)	(33.3)	+22%
Operating profit	**22.5**	**9.7**	**+131%**

The amounts staked within Irish Retail grew by 11% to €461m with a 31% increase in gross win to €68m, as compared to increases of 16% and 21% respectively in the first half of 2006. Excluding the impact of new shops, like-for-like amounts staked and gross win increased by 5% and 25% respectively, as compared to 12% and 16% during the first half of 2006. Operating costs increased by 22% driven by a 9% increase in average shop numbers, increased depreciation (primarily related to EPOS) and growth in divisional and central variable costs due to increased levels of activity.

Gross profit in the first half of 2007 versus 2006 benefited from the change in Irish retail betting tax. From July 2006, the Irish government introduced a 1% turnover tax levied on the bookmaker in place of the previous 2% tax paid by the customer. Of course Paddy Power had given its customers the benefits of tax free betting the morning after the change was announced in December 2005. This meant incurring an additional cost of 1% of turnover or €4m in the first half of 2006 which did not arise in the first half of 2007.

During the first half of the year, we opened four new shops and expect to continue to open in line with our medium term guidance of six to 10 shops per annum. In addition, we acquired four shops from other operators: a small chain of three shops within Dublin and one shop in Mullingar. Since 30 June, we have also acquired a chain of four shops in North Dublin. While we continue to prefer the economics of organic expansion in the Republic of Ireland, these small acquisitions offered: prime locations in areas in which we have wished to expand for some time but where suitable retail units have not become available; an excellent fit with our existing estate; and significant potential to increase the units' profitability with the Paddy Power brand, product and customer service. We have been pleased with the trading of the units since acquisition. The eight additional shops trading during the first half took our total Irish estate to 168 as at 30 June 2007.

Interim Statement (continued)

(ii) UK Retail

€m	H1 2007	H1 2006	% Change
Amounts staked	83.0	60.3	+38%
Gross win*	**15.1**	**10.3**	**+47%**
Gross profit	12.7	8.0	+58%
Operating costs	(13.2)	(11.0)	+20%
Operating loss**	**(0.5)**	**(3.0)**	**n/a**

*(*FOBT gross win above excludes VAT; ** The operating loss in 2007 is shown after a €0.6m provision for shop closure costs)*

UK Retail achieved its first trading profit in the first half of 2007, generating €0.1m prior to a provision for shop closure costs of €0.6m. This compares to ongoing losses since the initial openings in 2002 and a loss of €3.0m in the comparable period last year. We announced last year that we would prioritise enhancing the performance of our existing estate, rather than further shop openings, in the period prior to deregulation of the UK market this month. As a result, we implemented a range of initiatives to increase revenues and reduce costs which came to fruition in the current period resulting in a once off step change increase in profitability.

From a revenue perspective, turnover grew by 38% to €83m. Gross win growth of 47% to €15.1m was comprised of 72% growth in Fixed Odds Betting Terminal ('FOBT') gross win to €5.3m, and 37% growth in over-the-counter ('OTC') gross win to €9.8m. Like-for-like gross win grew by 24%, with OTC growth of 19% and FOBT growth of 37%. There were 231 FOBT machines installed as at 30 June, an increase of 24% compared to 30 June last year. The average gross win per machine per week including VAT was £716, an increase of 28% compared to £558 in the first six months of 2006.

An aggressive review of the cost base of our UK Retail estate delivered substantial savings in the first half of 2007 where, amongst other things, we successfully leveraged the growth in our estate and the increased levels of activity within each shop to achieve economies. Excluding the shop closure provision of €0.6m, operating cost growth was restricted to 14%, despite a 23% increase in the average number of shops and a 3% increase from the imposition of Amusement Machine Licence Duty. The adequacy of the shop closure provision will be reviewed at the end of the year.

This progress on costs and revenues has resulted in each of the group of shops we opened in each of the last four years achieving an EBIT positive result in the first half of 2007. This compares with only the combined group of shops opened in 2003 and 2004 achieving an EBITDA positive result in the first six months of last year.

Looking forward, we welcome the implementation of the Gambling Act this month which provides improved shop opening prospects, enhanced gaming machines and longer shop opening hours. The removal of the 'demand test' for openings also gives us important additional flexibility in the format and size of new shops. The gaming machine changes allow for the introduction of higher payout and more varied content on machines. There will however be an offset from the impact of the smoking ban implemented in England in July, and machine regulatory changes being

Interim Statement (continued)

made as part of the implementation of the Act. In April we completed our pre-deregulation opening programme, with one additional shop, taking our estate to 59. We will open a small number of additional shops in London this year but are also currently undertaking a detailed review of the potential for expansion elsewhere in the UK.

The Non Retail Division

The Non Retail division comprises online betting and gaming and telephone betting. Operating profit from the division increased by 46% to €18.9m, comprising €4.1m from the telephone channel, an increase of 27%, and €14.8m from the online channel, an increase of 53%. Betting on football represents a greater proportion of turnover in the Non Retail division than the Retail division; hence this was a satisfying performance as last year's comparatives included the World Cup.

Sportsbook turnover within the Non Retail division is broadly an even mix from Irish and UK based customers. This influenced the average gross win percentage achieved in the first half of 2007 of 9.9%, compared to 7.7% in the comparable period and our mid-point expectation of 8.0%, with an exceptionally high percentage achieved from Irish customers being partially diluted by a percentage modestly above the mid-point of the range from UK customers.

As a result of recent tax developments which come into effect from September 2007, we now expect to incur less betting tax within the Non Retail division going forward, as long as the new tax situation continues to exist. While tax legislation may change in the future, the impact of these changes based on current levels of activity is to increase Non Retail gross profit by approximately €5m in a full year.

(i) The Online Channel

€m	H1 2007	H1 2006	% Change
Amounts staked	297.3	247.9	+20%
Gross win	**45.6**	**30.7**	**+48%**
Gross profit	35.4	23.1	+53%
Operating costs	(20.6)	(13.4)	+54%
Operating profit	**14.8**	**9.7**	**+53%**

The online channel continues to be characterised by strong growth, combined with a significant level of investment to drive future growth. Operating profits increased by 53% or €5.1m in the first half of 2007, notwithstanding the ongoing investment being made to expand online activities into new geographies through the German and Spanish language betting businesses, and into new product markets such as bingo and financial spread betting. The major drivers of the increase in operating costs from €13.4m to €20.6m were:

- The launch of new businesses and expansion of businesses recently launched;
- Investment in people to drive further development and growth;
- Volume driven promotional spend and marketing spend; and
- Growth in variable costs due to increased activity levels.

Interim Statement (continued)

Customer numbers in the online channel continued to grow strongly with an 18% increase at the end of the half year relative to June 2006, despite slower growth in sportsbook customers without the World Cup. Online competition remains intense but we are confident that our brand, product range and top class customer service, as well as our continuous drive to increase our marketing efficiency, means we are well positioned for growth. From a marketing perspective, we continue to invest in people and technology to optimise our customer acquisition, through both affiliate and non-affiliate sources, and our customer retention. For example, we added our newly developed affiliate management system to paddypower.com during the period, automating the process for other web site operators to promote our products on their websites. An Irish general election microsite also attracted political punters and media to our site and gave them a taste of Paddy Power early payouts when we paid out on Bertie Ahern to lead the incoming government before the count commenced.

Online Channel Active Customers	30 June 2007	30 June 2006	% Change
Ireland and Rest Of World	58,619	46,564	+26%
UK	98,791	86,810	+14%
Total	**157,410**	**133,374**	**+18%**

Online Customers Product Usage	30 June 2007	30 June 2006	% Change
Sportsbook only	96,632	95,950	+1%
Gaming only	26,375	15,411	+71%
Multi product customers	34,403	22,013	+56%
Total	**157,410**	**133,374**	**+18%**

(Active customers are defined as those who have bet in the last three months)

(a) Sportsbook

The amounts staked on the online sportsbook increased by 19% to €279m. Within this, bet volumes grew 16% to 9.8m while the average bet value increased by 3% to €28.36. Gross win in the sportsbook increased by 53% to €27.2m, helped by a 9.8% gross win percentage as compared to 7.6% in the comparative period and our mid-point expectation of 8.0%.

Sports punters benefited from a range of refunds and early payouts. Following the disappointment for Irish rugby backers of the team's last minute defeat to France, we reacted with a high profile early payout on bets on Ireland to beat England and win the Triple Crown, the day before the historic encounter with England at Croke Park, and two weeks before the trip to Murrayfield. Equally, we refunded backers of Lewis Hamilton following concerns that team orders cost him victory at his maiden Monaco Grand Prix, as well as making an early payout on him to be the 2007 BBC Sports Personality of the Year. We also took the unprecedented decision in a Classic to return losing bets on heavy favourite Teofilo when he was withdrawn from the 2,000 Guineas. We believe consistent fair action, complemented by media interest, creates differentiation, loyalty and ultimately turnover.

Interim Statement (continued)

Our trademark product innovation continues to give more choice to the customer. In horse racing, we introduced betting-in-running for all races on terrestrial TV and expanded 'bet-and-watch' to all races in the UK and Ireland. We also expanded football betting-in-running with new markets on whether there will be a goal and who will win in the next 10 minute period.

We remain encouraged by our prospects in the medium term for expansion in continental Europe, both as a result of countries that have already moved towards liberalisation and by enforcement action of EU Law by the European Commission. We have continued to develop our German language online sportsbook and were pleased to be already rated third out of over 30 bookmakers for both Homepage and Customer Service quality in a survey by a large German betting forum. We also launched our Spanish language online betting site in August. Both businesses represent investments for the medium term, as we tackle the significant challenge of attempting to replicate our successful penetration of the UK online market, in the face of regulatory, competitive and cultural hurdles.

(b) Gaming

The online channel generates gaming revenues from casino, games, poker and bingo. Revenue from these sources, representing the operator's 'hold' or commission income, increased by 42% to €18.4m, aided to some extent by the absence of the distractions for players in June of the World Cup and sunshine!

During March, we migrated our poker customers from the software of our network supplier to that of another network, Playtech, which had acquired our supplier. Since then we have implemented a range of initiatives to counter the negative impact of the change in software, as well as the loss of liquidity from customers of other members of the previous network. These initiatives included leveraging relative strengths of the new software such as the availability of side card games and a smoother download process for customers; working with the supplier to implement changes to improve the customer experience; and focussing hard on our normal growth drivers to offset the impact of the peak in customer churn at the time of the migration. This work is continuing.

While the poker business has therefore faced new challenges in the last six months, our commitment is underlined by our sponsorship of the Irish Open poker tournament. The 2007 event set a further landmark as Europe's largest ever tournament with over 700 players. Given the growth of our poker business, and the market overall, Paddy Power is guaranteeing the 2008 event with a €3 million prize fund, an additional €1 million over 2007.

Gaming gross win was also driven by a strong performance from our games channel, where an online version of the popular TV game show 'Deal Or No Deal' proved all the rage with both existing and new customers. Bingo also contributed to gross win growth with more expected in the future. Its potential is clear with good punter interest aroused by our guaranteed jackpot of €75,000 over the weekend of the UK Grand National, as well as by more subtle promotional techniques such as Paddy's Passion Wagon bingo on Friday nights!

We also launched paddypowertrader.com, an online financial spread betting business, in July. Paddy Power Trader markets spread betting opportunities on equities, commodities and indices with a differentiating emphasis on education, value and, of course, entertainment. We are satisfied with the initial performance and plan to increase our level of investment over time in this attractive market.

Interim Statement (continued)

(ii) The Telephone Channel

€m	H1 2007	H1 2006	% Change
Amounts staked	152.5	155.0	-2%
Gross win	**15.3**	**12.4**	**+24%**
Gross profit	13.9	11.2	+24%
Operating costs	(9.8)	(8.0)	+23%
Operating profit	**4.1**	**3.2**	**+27%**

The amounts staked within the telephone channel fell by 2% to €152m influenced by negative recycling as a result of the high gross win percentage of 10.1% (compared to 8.0% in the comparable period), the absence of the World Cup and continued competition in the market. Within the 2% turnover fall, bet volumes fell 2% to 1.5m while the average stake per bet increased slightly to €99.25. We continue to prioritise profitability ahead of growth in customer numbers or market share in the telephone channel, and were pleased to achieve growth in operating profit of 27% in the first half of 2007.

Telephone Channel Active Customers	30 June 2007	30 June 2006	% Change
Ireland and Rest Of World	13,651	13,709	-0%
UK	11,545	11,709	-1%
Total	**25,196**	**25,418**	**-1%**

(Active customers are defined as those who have bet in the last three months)

We took advantage of the additional capacity of our new call centre during March and April by arranging extra temporary staff for the peak periods of activity around Cheltenham and the Irish and English Grand Nationals. This reduced call waiting times and enabled new account openings to be dealt with even during these peak demand periods.

Taxation

The corporation tax charge for the period was €7.3m, an effective tax rate of 17.0%. As anticipated, this represents an increase on the 14.6% effective rate in the first half of 2006 as a result of the non-deductibility of the 1% of turnover betting tax in Irish Retail. No corporation tax is currently payable in the UK due to tax losses. The Group's effective tax rate is above the standard rate of Irish corporation tax due to the impact of non-deductible expenses and passive interest income which is taxed above the standard rate.

Profit After Tax and Earnings Per Share

Profit after tax for the period was €35.5m, an increase of 103%. Diluted earnings per share grew 101% to 69.5 cent.

Interim Statement (continued)

Share Buyback Programme and Cash Flow

During the six month period, we returned a total of €59.3m of cash to shareholders through a combination of dividends and share buybacks. The final dividend paid to shareholders in respect of 2006 was €11.7m, an increase of 80% over the final 2005 dividend payment. In addition, further to the programme announced on 3 March 2007, €48.2m was spent on returning cash to shareholders via a share buyback programme. This reflected purchases of 2.14m shares or 4.2% of the company's share capital at an average price of €22.25. It is the Board's current intention to consider further share buybacks in the period to the next AGM in line with the approval granted by shareholders. The timing and amount of shares bought back will depend on the Group's pipeline of development opportunities as well as equity market conditions.

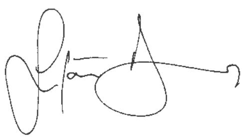
Cash balances at 30 June were €72.6m compared to €87.1m at 31 December 2006, a decrease of €14.5m. This included cash balances held on behalf of customers of €14.5m compared to €13.4m at 31 December 2006. Net cash generated from operating activities in the first half of 2007 was €58.3m compared to €35.6m in the comparable period in 2006, an increase of 64% or €22.7m. This was driven by operating profit growth of 108% or €21.2m. Capital expenditure on tangible and intangible assets, comprising primarily the fit out and upgrading of retail outlets, together with the acquisition of four retail units, was €10.2m.

Dividend

The Board has decided to pay an interim dividend of 16.00 cent per share, an increase of 70% on the 2006 interim dividend, resulting in a total expected payment of €7.9m. This dividend is payable on 5 October 2007 to shareholders on the register at the close of business on 14 September.

Outlook

During July and August, gross win percentages have reverted to close to the mid-point of the guided ranges in each channel; nonetheless these levels are above our expectations for this time of year. In addition, we continue to experience good momentum in overall gaming gross win and also expect to benefit from a reduction in direct betting taxes in our Non Retail division. We expect operating profit for the full year of approximately €68m, versus our previous guidance of approximately €62m, clearly subject to the volatility that could arise from sporting results. Compared to 2006 operating profit pre exceptional items, this result would represent growth of approximately 50%.



Fintan Drury
Chairman

3 September 2007

Consolidated Interim Income Statement

For the six months ended 30 June 2007 – *unaudited*

	Note	**Six months ended 30 June 2007 Total €'000**	Six months ended 30 June 2006 Total €'000	Year ended 31 December 2006 Before exceptional item €'000	Year ended 31 December 2006 Exceptional item *(Note 3)* €'000	Year ended 31 December 2006 Total €'000
Amounts staked by customers		**993,663**	877,625	1,795,090	-	1,795,090
Continuing Operations						
Revenue		**143,762**	104,967	218,706	-	218,706
Direct betting costs		**(18,892)**	(19,745)	(35,090)	-	(35,090)
Gross profit		**124,870**	85,222	183,616	-	183,616
Employee costs		**(39,002)**	(30,395)	(64,227)	-	(64,227)
Property expenses		**(11,696)**	(10,048)	(21,174)	-	(21,174)
Marketing expenses		**(11,653)**	(9,277)	(17,309)	-	(17,309)
Technology and communications		**(6,214)**	(5,366)	(11,537)	-	(11,537)
Depreciation and amortisation		**(10,882)**	(6,476)	(15,512)	-	(15,512)
Other expenses		**(4,585)**	(4,040)	(8,395)	2,098	(6,297)
Total operating expenses		**(84,032)**	(65,602)	(138,154)	2,098	(136,056)
Operating profit before financial income		**40,838**	19,620	45,462	2,098	47,560
Financial income		**1,908**	867	2,139	-	2,139
Profit before tax		**42,746**	20,487	47,601	2,098	49,699
Income tax expense		**(7,288)**	(2,991)	(8,033)	(421)	(8,454)
Profit for the period from continuing operations		**35,458**	17,496	39,568	1,677	41,245
Basic earnings per share	*4*	**70.6c**	34.8c			81.9c
Diluted earnings per share	*4*	**69.5c**	34.5c			81.1c
Proposed dividend per share for period	*5*	**16.00c**	9.43c			32.20c

Consolidated Interim Statement of Recognised Income and Expense

For the six months ended 30 June 2007 – *unaudited*

	Six months ended 30 June 2007 €'000	Six months ended 30 June 2006 €'000	Year ended 31 December 2006 €'000
Group profit for the period	**35,458**	17,496	41,245
Foreign exchange translation difference	**-**	-	1
Total recognised income and expense	**35,458**	17,496	41,246

The total recognised income and expense for the period is entirely attributable to the equity holders of the Company.

Consolidated Interim Balance Sheet

As at 30 June 2007 – *unaudited*

	Note	**30 June 2007 €'000**	30 June 2006 €'000	31 December 2006 €'000
Assets				
Property, plant and equipment		**72,110**	72,739	76,240
Intangible assets		**8,419**	8,789	9,260
Goodwill		**4,292**	1,880	1,880
Deferred tax asset		**282**	370	195
Total non current assets		**85,103**	83,778	87,575
Trade and other receivables		**4,141**	4,592	4,203
Cash and cash equivalents		**72,595**	68,281	87,061
Total current assets		**76,736**	72,873	91,264
Total assets		**161,839**	156,651	178,839
Equity				
Issued capital	*6*	**4,918**	5,106	5,124
Share premium	*6*	**10,614**	9,121	10,163
Shares held by long term incentive plan trust	*6*	**(11,752)**	(8,137)	(8,137)
Other reserves	*6*	**7,593**	5,249	6,536
Retained earnings	*6*	**90,081**	95,276	114,445
Total equity		**101,454**	106,615	128,131
Liabilities				
Deferred tax liabilities		**-**	752	-
Total non current liabilities		**-**	752	-
Trade and other payables		**48,246**	40,842	46,263
Derivative financial instruments	*7*	**3,740**	5,369	2,877
Current tax payable		**8,399**	3,073	1,568
Total current liabilities		**60,385**	49,284	50,708
Total equity and liabilities		**161,839**	156,651	178,839

Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2007 – *unaudited*

	Six months ended 30 June 2007 €'000	Six months ended 30 June 2006 €'000	Year ended 31 December 2006 €'000
Cash flows from operating activities			
Profit before tax	**42,746**	20,487	49,699
Financial income	**(1,908)**	(867)	(2,139)
Depreciation and amortisation	**10,882**	6,476	15,512
Cost of employee share-based payments	**2,379**	1,646	3,184
Loss / (gain) on disposal of property, plant and equipment	**22**	45	(1,183)
Cash from operations before changes in working capital	**54,121**	27,787	65,073
Decrease / (increase) in trade and other receivables	**124**	(2,422)	(2,013)
Increase in trade and other payables and derivative financial instruments	**4,578**	11,180	13,209
Cash generated from operations	**58,823**	36,545	76,269
Income taxes paid	**(558)**	(959)	(8,526)
Net cash from operating activities	**58,265**	35,586	67,743
Cash flows from investing activities			
Purchase of property, plant and equipment	**(6,309)**	(6,471)	(17,855)
Acquisition of intangible assets	**(1,212)**	(6,105)	(7,921)
Purchase of new businesses	**(2,634)**	-	-
Proceeds from disposal of property, plant and equipment	**100**	700	3,028
Interest received	**2,002**	831	2,084
Net cash used in investing activities	**(8,053)**	(11,045)	(20,664)
Cash flows from financing activities			
Proceeds from the issue of new shares	**327**	1,639	2,699
Purchase of own shares	**(48,193)**	-	-
Purchase of shares by long term incentive plan trust	**(5,138)**	(3,741)	(3,742)
Dividends paid	**(11,674)**	(6,476)	(11,293)
Net cash used in financing activities	**(64,678)**	(8,578)	(12,336)
Net (decrease) / increase in cash and cash equivalents	**(14,466)**	15,963	34,743
Cash and cash equivalents at start of period	**87,061**	52,318	52,318
Cash and cash equivalents at end of period	**72,595**	68,281	87,061

Notes to the Consolidated Interim Financial Statements

1. Basis of preparation and accounting policies

The interim financial statements are prepared on the historical cost basis except for betting transactions, which are recorded as derivative financial instruments, and share-based payments, both of which are stated at fair value. The financial statements are presented in euro, rounded to the nearest thousand. The statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU at 30 June 2007. The accounting policies applied in the preparation of these interim financial statements are consistent with those set out in the Annual Report for the year ended 31 December 2006.

2. Segmental information

The revenue, operating profit and net assets of the Group relate to the provision of betting and gaming activities, substantially all of which are conducted in the Republic of Ireland and the United Kingdom.

(a) By business segment

The Group considers its primary business segments to be 'Retail' and 'Non Retail'. The Retail business segment comprises the Group's Irish and UK licensed bookmaking shop estates. The Non Retail business segment comprises the Group's online and telephone sports betting businesses and its online gaming businesses, primarily casino, games, poker and bingo.

Business segment information for the six months ended 30 June 2007:

	Retail 30/06/2007 €'000	Non Retail 30/06/2007 €'000	Other unallocated 30/06/2007 €'000	Total 30/06/2007 €'000
Revenue	82,822	60,940	-	143,762
Direct betting costs	(7,228)	(11,664)	-	(18,892)
Gross profit	75,594	49,276	-	124,870
Depreciation and amortisation	(8,534)	(2,337)	(11)	(10,882)
Other operating costs	(43,346)	(24,691)	(5,113)	(73,150)
Operating profit	23,714	22,248	(5,124)	40,838
Financial income	-	-	1,908	1,908
Profit before tax	23,714	22,248	(3,216)	42,746
Total assets	86,862	10,883	64,094	161,839
Segment liabilities	12,212	27,627	20,546	60,385
Capital expenditure	4,219	1,814	-	6,033

Notes to the Consolidated Interim Financial Statements (continued)

2. Segmental information (continued)

Business segment information for the six months ended 30 June 2006:

	Retail 30/06/2006 €'000	Non Retail 30/06/2006 €'000	Other unallocated 30/06/2006 €'000	Total 30/06/2006 €'000
Revenue	61,841	43,126	-	104,967
Direct betting costs	(10,856)	(8,889)	-	(19,745)
Gross profit	50,985	34,237	-	85,222
Depreciation and amortisation	(4,834)	(1,625)	(17)	(6,476)
Other operating costs	(38,452)	(17,745)	(2,929)	(59,126)
Operating profit	7,699	14,867	(2,946)	19,620
Financial income	-	-	867	867
Profit before tax	7,699	14,867	(2,079)	20,487
Total assets	82,672	9,329	64,650	156,651
Segment liabilities	12,240	21,077	16,719	50,036
Capital expenditure	10,616	2,115	2	12,733

Business segment information for the year ended 31 December 2006:

	Retail 31/12/2006 €'000	Non Retail 31/12/2006 €'000	Other unallocated 31/12/2006 €'000	Total 31/12/2006 €'000
Revenue	126,783	91,923	-	218,706
Direct betting costs	(17,250)	(17,840)	-	(35,090)
Gross profit	109,533	74,083	-	183,616
Depreciation and amortisation	(12,035)	(3,449)	(28)	(15,512)
Other operating costs	(79,258)	(36,911)	(6,473)	(122,642)
Operating profit before property gain	18,240	33,723	(6,501)	45,462
Property gain	2,098	-	-	2,098
Operating profit	20,338	33,723	(6,501)	47,560
Financial income	-	-	2,139	2,139
Profit before tax	20,338	33,723	(4,362)	49,699
Total assets	87,970	12,350	78,519	178,839
Segment liabilities	14,559	22,466	13,683	50,708
Capital expenditure	22,422	4,421	2	26,845

Notes to the Consolidated Interim Financial Statements (continued)

2. Segmental information (continued)

The amounts shown in the 'Other unallocated' category above, representing items that cannot be allocated to either the Retail or Non Retail segments, are primarily in respect of management costs relating to the Group as a whole, cash deposits held centrally and certain accounts payable, tax and accrual balances.

(b) By geographical segment

The Group considers that its primary geographic segments are 'Ireland & Other' and 'UK'. The Ireland & Other geographic segment is composed of the Irish Retail bookmaking business, online and telephone sports betting from non-UK customers (principally in Ireland), and online gaming from non-UK customers. 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.

	Ireland & Other 30/06/07 €'000	Ireland & Other 30/06/06 €'000	Ireland & Other 31/12/06 €'000	UK 30/06/07 €'000	UK 30/06/06 €'000	UK 31/12/06 €'000	Total 30/06/07 €'000	Total 30/06/06 €'000	Total 31/12/06 €'000
Revenue	**97,055**	72,840	148,462	**46,707**	32,127	70,244	**143,762**	104,967	218,706
Segment assets	**115,236**	110,608	131,269	**46,603**	46,043	47,570	**161,839**	156,651	178,839
Capital expenditure	**5,771**	8,994	14,369	**262**	3,739	12,476	**6,033**	12,733	26,845

Notes to the Consolidated Interim Financial Statements (continued)

2. Segmental information (continued)

Further analysis of the business segments by channel shows:

	Six months ended 30 June 2007 €'000	Six months ended 30 June 2006 €'000	Year ended 31 December 2006 €'000
Amounts staked by customers			
Irish Retail	**460,871**	414,410	833,125
UK Retail	**83,008**	60,289	129,936
Retail Division	**543,879**	474,699	963,061
Online	**297,332**	247,893	525,425
Telephone	**152,452**	155,033	306,604
	993,663	877,625	1,795,090
Revenue			
Irish Retail	**67,716**	51,584	104,385
UK Retail	**15,106**	10,257	22,398
Retail Division	**82,822**	61,841	126,783
Online	**45,600**	30,757	67,404
Telephone	**15,340**	12,369	24,519
	143,762	104,967	218,706
Gross profit			
Irish Retail	**62,920**	42,975	91,510
UK Retail	**12,674**	8,010	18,023
Retail Division	**75,594**	50,985	109,533
Online	**35,384**	23,045	51,731
Telephone	**13,892**	11,192	22,352
	124,870	85,222	183,616
Operating profit / (loss) before exceptional item			
Irish Retail	**22,497**	9,751	22,025
UK Retail	**(526)**	(3,030)	(5,995)
Retail Division	**21,971**	6,721	16,030
Online	**14,811**	9,696	23,428
Telephone	**4,056**	3,203	6,004
	40,838	19,620	45,462

Notes to the Consolidated Interim Financial Statements (continued)

3. Exceptional item

	Six months ended 30 June 2007 €'000	Six months ended 30 June 2006 €'000	Year ended 31 December 2006 €'000
Gain on disposal of Irish Retail shop property	**-**	-	2,098

During the 2006 financial year, the Group disposed of a shop property. This property, which formed part of the Group's Irish Retail licensed bookmaking operations, was originally held under an operating lease. The Group exercised a purchase option contained in the lease and subsequently sold the property at arm's length to a third party, simultaneously entering into a leaseback agreement at arm's length with that third party.

4. Earnings per share

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
Numerator in respect of basic and diluted earnings per share (€'000):			
Profit attributable to equity holders of the Company	**35,458**	17,496	41,245
Numerator in respect of adjusted basic and diluted earnings per share (€'000):			
Profit attributable to equity holders of the Company	**35,458**	17,496	41,245
Less: Property gain after tax	**-**	-	(1,677)
Profit for adjusted earnings per share calculation	**35,458**	17,496	39,568
Denominator in respect of basic earnings per share (in '000s):			
Weighted average number of shares in issue during the period	**50,245**	50,235	50,344
Adjustments to derive denominator in respect of diluted earnings per share:			
Dilutive effect of share option schemes, sharesave scheme, shares held by long term incentive plan trust and long term incentive plan	**764**	543	501
Adjusted weighted average number of shares in issue during the period	**51,009**	50,778	50,845
Basic earnings per share	**70.6c**	34.8c	81.9c
Adjusted earnings per share	**70.6c**	34.8c	78.6c
Diluted earnings per share	**69.5c**	34.5c	81.1c
Adjusted diluted earnings per share	**69.5c**	34.5c	77.8c

Notes to the Consolidated Interim Financial Statements (continued)

4. Earnings per share (continued)

The basic weighted average number of shares excludes shares held by the Paddy Power Employee Benefit Trust. The effect of this is to reduce the average number of shares in the six months to 30 June 2007 by 717,817 (2006: 439,543) shares.

5. Dividends paid and proposed

	Six months ended 30 June 2007 €'000	Six months ended 30 June 2006 €'000	Year ended 31 December 2006 €'000
Final dividend of 12.84c per share for year ended 31 December 2005	**-**	6,476	6,476
Interim dividend of 9.43c per share for period ended 30 June 2006	**-**	-	4,817
Final dividend of 22.77c per share for year ended 31 December 2006	**11,674**	-	-
	11,674	6,476	11,293

The Directors propose an interim dividend of 16.00c per share which will be paid on 5 October 2007 to shareholders on the Company's register of members at the close of business on the record date of 14 September 2007. This dividend has not been included as a liability at 30 June 2007.

Notes to the Consolidated Interim Financial Statements (continued)

6. Movement in equity

	Number of ordinary shares in issue	Share capital €'000	Share premium €'000	Other reserves €'000	Own shares held €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2006	50,397,168	5,040	7,548	922	-	(4,929)	3,220	84,250	96,051
Shares issued	841,269	84	2,663	-	-	-	-	-	2,747
Share issue costs	-	-	(48)	-	-	-	-	-	(48)
Own shares acquired:									
280,000 ordinary shares	-	-	-	-	-	(3,742)	-	-	(3,742)
Total recognised income and expense	-	-	-	1	-	-	-	41,245	41,246
Equity-settled transactions	-	-	-	-	-	534	2,636	-	3,170
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	(243)	243	-
Dividends to shareholders *(Note 5)*	-	-	-	-	-	-	-	(11,293)	(11,293)
Balance at 31 December 2006	51,238,437	5,124	10,163	923	-	(8,137)	5,613	114,445	128,131
Shares issued	84,000	8	451	-	-	-	-	-	**459**
Own shares acquired:									
By long term incentive plan trust – 260,000 ordinary shares	-	-	-	-	-	(5,138)	-	-	**(5,138)**
By the Company – 2,139,443 ordinary shares	-	-	-	-	(48,193)	-	-	-	**(48,193)**
Cancellation of own shares acquired	(2,139,443)	(214)	-	214	48,193	-	-	(48,193)	**-**
Total recognised income and expense	-	-	-	-	-	-	-	35,458	**35,458**
Equity-settled transactions	-	-	-	-	-	1,523	927	(39)	**2,411**
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	(84)	84	**-**
Dividends to shareholders *(Note 5)*	-	-	-	-	-	-	-	(11,674)	**(11,674)**
Balance at 30 June 2007	49,182,994	**4,918**	**10,614**	**1,137**	**-**	**(11,752)**	**6,456**	**90,081**	**101,454**

Notes to the Consolidated Interim Financial Statements (continued)

7. Derivative financial instruments

Derivative financial instruments represent the fair value of sports betting open positions at the period end.

8. Statutory financial statements

This interim report does not comprise full statutory financial statements. Full statutory financial statements for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards as adopted by the EU together with an unqualified audit report thereon, are available from the Company, from the website www.paddypowerplc.com and from the Registrar of Companies.

9. Board approval

This interim report was approved by the Board of Directors of Paddy Power plc on 3 September 2007.

Independent Review Report to Paddy Power plc

Introduction

We have been engaged by the Company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim statement of recognised income and expense, consolidated interim cash flow statement and related notes. 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

This 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.

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 excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It 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 2007.

KPMG

Chartered Accountants
Dublin
3 September 2007

Additional Information for Shareholders

Listings

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

Registrar

Enquiries concerning shareholdings should be addressed to the Company's Registrar:

Computershare Investor Services (Ireland) Limited,
Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.
Telephone: +353-1-216 3100
Facsimile: +353-1-216 3151
Website: www.computershare.com

Payment of Dividends Direct to a Bank Account

Dividends are paid by cheque; however shareholders resident in Ireland or in the UK may have their dividends paid by electronic transfer direct to a designated bank account. Shareholders who wish to avail of this facility should contact the Company's Registrar (see above).

Payment of Dividends in Euro

Dividend payments are made in euro by default. However, shareholders wishing to opt for payments in Pounds Sterling either by cheque or direct to their bank account may do so by contacting the Registrar (see above).

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.

Dividend Withholding Tax ('DWT')

With certain exceptions, dividends paid by Irish resident companies on or after 6 April 2000 are subject to DWT at the standard rate of income tax of 20%. DWT, where applicable, is deducted by the Company from all dividends. Each shareholder receives a statement showing the shareholder's name and address, the dividend payment date, the amount of the dividend, and the amount of DWT, if any, deducted there from. 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:

DWT Section, Collector General's Division, Government Offices,
Nenagh, Co. Tipperary, Ireland.
Telephone +353-67-63400
Facsimile: +353-67-33822
E-mail: infodwt@revenue.ie

Additional Information for Shareholders (continued)

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.

2007 Financial Calendar

Announcement of interim results for 2007	4 September 2007
Ex-dividend date for interim dividend	12 September 2007
Record date for interim dividend	14 September 2007
Interim dividend payment date	5 October 2007

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Paddy Power plc

Airton House, Airton Road,
Tallaght, Dublin 24.

Tel: +353 1 404 5900
Fax: +353 1 404 5901
E-mail: info@paddypowerplc.com
Website: www.paddypowerplc.com