Paddy Power plc

2008 INTERIM REPORT

Contents

2008 Interim Financial Highlights
For the six months ended 30 June 2008

	Six months ended 30 June 2008 *(unaudited)*	Six months ended 30 June 2007 *(unaudited)*	% Change	*Constant Currency % Change ****
	€m	€m		
Amounts staked by customers *				
Online	**350**	297	+18%	*+28%*
Telephone	**143**	153	-6%	*-1%*
Non Retail Division	***493***	*450*	*+10%*	*+18%*
Irish Retail	**490**	461	+6%	*+6%*
UK Retail	**84**	83	+1%	*+16%*
Retail Division	***574***	*544*	*+5%*	*+8%*
Total amounts staked	**1,067**	994	+7%	*+12%*
	€'000	€'000		
Income *				
Online	**54,950**	45,600	+21%	*+32%*
Telephone	**12,376**	15,340	-19%	*-16%*
Non Retail Division	***67,326***	*60,940*	*+10%*	*+20%*
Irish Retail	**68,668**	67,716	+1%	*+1%*
UK Retail	**15,817**	15,106	+5%	*+20%*
Retail Division	***84,485***	*82,822*	*+2%*	*+4%*
Total income	**151,811**	143,762	+6%	*+11%*
Operating profit / (loss) **				
Online	**21,108**	14,811	+43%	*+62%*
Telephone	**2,957**	4,056	-27%	*-20%*
Non Retail Division	***24,065***	*18,867*	*+28%*	*+44%*
Irish Retail	**20,511**	22,497	-9%	*-9%*
UK Retail	**525**	(526)	n/a	*n/a*
Retail Division	***21,036***	*21,971*	*-4%*	*-3%*
Total operating profit	**45,101**	40,838	+10%	*+18%*
Earnings per share **	**82.3c**	70.6c	+17%	*n/a*

* Amounts staked by customers represents amounts received in respect of bets placed on sporting events that occurred during the period and net winnings, commission income and fee income earned on gaming activities. Income (or 'gross win') represents the net gain on sports betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at period end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games.

** Operating profit / (loss) and earnings per share in respect of the six months ended 30 June 2008 is stated excluding a once-off exceptional item of €2,735,000 (€2,467,000 after-tax) relating to a refund of Irish VAT on certain British Horseracing levy payments.

*** The constant currency % change is calculated on the basis of the foreign currency content in 2007 translated at 2008 rates.

Interim Statement

Introduction

I am pleased to report on a successful first six months of 2008 for Paddy Power with the following highlights:

- Growth in earnings per share of 17% to 82.3 cent and in operating profit and profit before tax of 10% to €45.1m and €47.1m respectively (all before inclusion of an exceptional gain of €2.7m in 2008);
- Operating profit growth in our online business of 43% to €21.1m, 47% of the Group's total EBIT, driving the contribution of Non Retail businesses to over 50% of operating profit;
- Growth in EBITDA per shop in UK Retail of 28% in constant currency to €74,000;
- Expansion into Northern Ireland with the acquisition of eight shops;
- Development team put in place in Scotland, the North West of England and Northern Ireland and increased expectations for the size of the UK Retail estate to at least 150 shops by 2011;
- On-going investment in our newer businesses, nine organic shop openings, product developments and cost management initiatives to drive future profit growth;
- Cash returns to shareholders of €31m through a combination of dividends and share buybacks, whilst still maintaining a strong cash balance of €79m at 30 June;
- A favourable run of sporting results which, while not at the exceptional level of 2007, did offset the worst result of the first six months for Paddy Power – the big win for the euro against the pound which reduced the converted value of our sterling denominated operating profit by circa €2.5m.

Much has happened since our last trading update three and a half months ago. The performance of the Irish and UK economies has deteriorated, and the growth rates in our businesses have slowed accordingly. As our customers face tighter times, we believe that our response should be to provide them with even better value, which we are doing. In addition, we said last year that the old adage of 'what goes around comes around' applies to sporting results and they certainly have come back around for punters since June with a string of unfavourable results for bookmakers, and Irish bookmakers particularly. These factors have led us to moderate our operating profit outlook for the full year from approximately €82m to €75m, representing growth of €3m over the 2007 level of €72m.

First Half Sporting Results and Trading

The year got off to a flyer with one of the best results in the Group's history on the market for who'd be the next Republic of Ireland Football Manager – fourteen different favourites over the course of normal time, extra-time and extra-extra-time but only one job meant we sort of had to win, and as long as Staunton wasn't reappointed the fans were probably on a winner too. Favourable results then just kept on coming through during the first four months. Denman's victory in the Cheltenham Gold Cup was the high point in a bookie-friendly festival, as our Money-Back Special on all fallers saw a wall of money for the favourite Kauto Star, whilst Hear The Echo's 33/1 victory in the Irish Grand National on Easter Monday rounded off a miserable March for punters. Trevor Immelman was a 130/1 shot before the US Masters, but he pipped Tiger Woods to start the year badly for Golf Major punters – they would get their revenge over the subsequent four months... Meanwhile on the football field, the "Big Four" were nowhere to be seen in the FA Cup semi finals, with the mighty Cardiff, Barnsley, WBA and the eventual winners Portsmouth (a 50/1 shot at the outset) doing battle instead.

As results went against the punters in the first four months, and economic circumstances got tougher, we decided to run some of our most generous 'specials' during the period, offering money back on *all* fallers in *all* races on the last day of Cheltenham, paying out on five places for the Grand Nationals and adding a 'supersize me' 10% bonus on winnings in the English Grand National. We then took things up a further level with our aptly named Russian Roulette Money-Back Special. For the Champions League final in Moscow, we offered to refund losing bets if Europe's most sought after player, in Europe's champion team, in Europe's biggest annual football betting event could score a goal (no point in doing these things by half)...it goes without saying that the man affectionately known as The Winker scored on 26 minutes. Of course such generous offers are central to the Paddy Power brand and, to take just one example of their payback, contributed significantly to the 40% growth in online customers during the first six months of 2008 compared to 2007.

The Non Retail Division

The Non Retail division comprises online betting and gaming, telephone betting and sports risk management services. Operating profit from the division increased by 28% to €24.1m in the six months ended 30 June 2008 ('the period'). Underlying business growth, previously announced tax developments and Euro 2008 more than offset lower sportsbook gross win percentages, adverse foreign exchange movements and slowing economic conditions. Across the Group, €30m in bets were taken on Euro 2008, with just over €20m taken in the Non Retail division.

The average sterling euro exchange rate during the period was 13% lower than the equivalent period last year which reduced the converted value of approximately 65% of our online and 40% of our telephone channel gross win. After savings on the conversion of sterling denominated costs, this reduced Non Retail operating profit by approximately €2.1m, €1.7m in the online channel and €0.4m in the telephone channel. Comparisons between periods below are also presented on the basis of the sterling content in 2007 translated at 2008 rates ('constant currency ("CC") comparisons').

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As a result of tax and related developments which became effective last September, we significantly reduced the cost of deductions between gross win and gross profit within the Non Retail division. The reduced costs apply from that date and beyond so long as this situation remains unchanged.

(i) The Online Channel

€m	H1 2008	H1 2007	% Change	*% Change in CC*
Amounts staked	349.8	297.3	18%	*28%*
Sportsbook gross win	31.1	27.2	14%	*23%*
Sportsbook gross win %	*9.6%*	*9.8%*		
Gaming gross win	23.9	18.4	30%	*46%*
Total gross win	**55.0**	**45.6**	**21%**	***32%***
Gross profit	46.9	35.4	33%	*44%*
Operating costs	(25.8)	(20.6)	25%	*32%*
Operating profit	**21.1**	**14.8**	**43%**	***62%***

The online channel continues to grow strongly driven by growth in the underlying market and increased market share. Operating profits increased by 43% or €6.3m in the period to almost half of Group operating profit, notwithstanding the ongoing investment being made to expand online activities into both new geographies with a Spanish language betting business, and into new product markets, with financial spread betting and bingo.

Competition for customers is intense, and pricing aggression has intensified. Nonetheless, online customer numbers were up 39% during the second quarter of 2008 compared to 2007 boosted in part by Euro 2008. We further advanced our expertise and infrastructure for the management of our affiliate and other online marketing arrangements during the period. These and many other assets related to our brand, products and customer service give us a continued ability to differentiate ourselves against the competition and make it more difficult for others to enter the market successfully.

Online Channel Active Customers	30 June 2008	30 June 2007	% Change
Ireland and Rest Of World	75,345	58,619	+29%
UK	143,137	98,791	+45%
Total	**218,482**	**157,410**	**+39%**

Online Customers Product Usage	30 June 2008	30 June 2007	% Change
Sportsbook only	144,419	96,632	+49%
Gaming only	27,619	26,375	+5%
Multi product customers	46,444	34,403	+35%
Total	**218,482**	**157,410**	**+39%**

(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 28% in constant currency to €325m. Within this, bet volumes grew 40% to 13.8m while the average stake per bet decreased by 18%, or 10% in constant currency, to €23.38. The continuation of the reduction in average stake per bet from 2007 into the first half of 2008 is due to a combination of factors, including the growth in active customers and more challenging economic circumstances. Gross win in the sportsbook increased by 23% in constant currency to €31.1m, despite a 9.6% gross win percentage as compared to 9.8% in the comparative period.

Paddy Power punters as always benefited from a range of early payouts. In the political arena, some of our early payout predictions proved spot on (Boris Johnson as the Mayor of London), some were a bit close for comfort (Barack Obama as the Democratic Presidential Nominee, paid on 7 January) whilst others were just plain wrong (an Irish 'Yes' vote in the Lisbon referendum). The 'No' vote dismayed the political leaders of 490 million people in Europe but it was good for us at least when the UK's largest selling newspaper dedicated its front page to it under the banner headline 'Paddy Power'. We lead the field in such non-traditional betting markets, creating unique product, fun talking points and media interest which generates new customers and promotes our brand. On this theme, Paddy dressing up as a woman for Ladies Day at the Galway Races also earned us plenty of column inches, but was kind of strange because it was his day off and no one in the marketing department knew a thing about it.

The Paddy Power techies and designers were also busy, successfully delivering a range of complex customer facing site enhancements during the period. New horse racing pages have integrated racing form, are easier to use and give punters all they had been asking us for (bar the winner before the event – we've been asking for that too). We have also developed a range of RSS feeds to allow users to receive updates from their favourite websites to a customisable home page. Popular feeds include our latest Money-Back Specials and our 'Steamers' (horses rapidly dropping in price from 'warm' money). Finally, our best of breed new bet slip has numerous technical and usability innovations…or you might just like the nice way it follows you as you move around the site.

Our sports risk management business, which targets companies with exposure to sporting results from marketing or player bonus arrangements, performed well in its first year writing a satisfactory amount of cover, developing new client relationships and benefiting from a favourable run of results. Our Spanish language online betting business continues at this early stage to localise, test and refine its offering in terms of product, promotion and pricing, pitched as it is against a range of established and new competitors.

(b) Gaming

Gaming revenues arise from casino, games, poker, bingo and financial spread betting. Revenue from these sources, representing the operator's 'hold' or commission income, increased by 30%, or 46% in constant currency terms, to €23.9m. This was driven by a strong performance in Casino and Games, supplemented by growing gross win from our newer gaming businesses, Bingo and Financial Spread Betting.

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The roots of the strong Casino and Games performance continue in part to be the market leading position of our sportsbook offering which has led to significant growth in sportsbook customers. Some of these customers go on over time to also enjoy online gaming, as illustrated by the 35% growth in multi-product customers compared to last year. We continue to reinforce this trend with a strong gaming product in terms of both content and layout, and highly effective customer service, segmentation and cross selling activity.

Our Poker business grew during the period despite a challenging environment as a result of a 13% depreciation in its U.S. dollar playing currency relative to the euro and disruption to the industry landscape since the U.S. outlawed online gambling by U.S. residents in late 2006 (albeit this had no direct effect on Paddy Power). We continue to make good operational progress on a range of fronts, as illustrated by two 2nd place awards, including Top Poker Site, up against global competitors within Gambling Online Readers' Choice Awards. Our differentiating sponsorship of Europe's largest poker tournament, the Irish Open, also developed with the 2008 tournament setting new benchmarks with a guaranteed prize fund of €3m, a sell-out inaugural Irish Open ladies event and a record number of side tournament players.

We continue to refine and develop our newer businesses to position them for future growth. Within Paddy Power Trader, we introduced new educational and community initiatives including land-based group seminars, one-on-one sessions and expanded technical, editorial and user content online. Overall we are satisfied with the performance of the business during its first year and continue to see it as an attractive medium term opportunity for Paddy Power.

Within Bingo, we were pleased to win Bullet Business' Best Bingo Newcomer Award in 2008. Paddy-powerbingo.com also took on the sponsorship of the Irish Karaoke Championship which has grown to in-corporate over 250 participating pubs, YouTube entries and national radio coverage. We continue to focus on adapting our offering and marketing to best fit this large potential new customer base for Paddy Power.

(ii) The Telephone Channel

€m	H1 2008	H1 2007	% Change	*% Change in CC*
Amounts staked	143.3	152.5	-6%	*-1%*
Gross win	**12.4**	**15.3**	**-19%**	***-16%***
Gross win %	*8.6%*	*10.1%*		
Gross profit	12.3	13.9	-11%	*-8%*
Operating costs	(9.3)	(9.8)	-5%	*-4%*
Operating profit	**3.0**	**4.1**	**-27%**	***-20%***

Telephone customer numbers were up 18% in the first half of 2008 compared to the equivalent period last year, while bet volumes were up 4% to 1.6m. The average stake per bet was €89.97, a decrease of 9%, or 4% in constant currency. Overall, this resulted in the amount staked falling 6%, or 1% in constant currency. Outside of currency depreciation, the reduction in the amount staked per customer was partially driven by increased net migration of customer spending from our telephone to our online channel, as well as increased competition from non retail competitors and, in Ireland, retail competitors also.

The increase in active customers has been driven by improvements in both customer acquisition and retention. An enhanced free bet offer for new customers, with an additional second free bet determined by the customer's average spend over their first ten bets, increased the quality of new customers acquired. Dial-A-Bet has also been promoted more extensively within the Irish Retail estate. A range of new reactivation and retention techniques were also introduced including creating more awareness of the great value specials and other offers provided to customers throughout the period. Improvements in our Risk capability have also recently made us more open to betting to a higher average stake than previously.

Operating costs were reduced by 5%, or 4% in constant currency, by a range of initiatives. New guidance to operators for the dialogue with customers reduced the average call duration by 5% without crucially compromising friendliness or service. Other overheads were renegotiated at lower rates, leveraging in part overall Non Retail volume growth. Combined with the lower deductions between gross win and gross profit, overall costs were therefore significantly reduced. However as expected, operating profit was down compared to last year due to the 1.4% fall in the gross win percentage with the telephone channel being more adversely affected by Ascot and Euro 2008 given its particular mix of business.

Telephone Channel Active Customers	**30 June 2008**	**30 June 2007**	**% Change**
Ireland and Rest Of World	13,873	13,651	2%
UK	14,361	11,545	24%
Total	**28,234**	**25,196**	**12%**

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

The Retail Division

During the six month period, we made significant progress in expanding our Retail Division:

- We grew our UK estate from 58 to 67 shops, with one new opening in London and the acquisition of eight shops in Northern Ireland, a new market for us;
- We put development teams in place to expand in Glasgow, Manchester and Northern Ireland, which over time will enable us to expand in other locations in Scotland and the North West of England;
- We opened eight new shops in the Republic of Ireland, and redeveloped eight others.

We have been very encouraged by the progress of our UK Retail development teams, and our expectations for the potential size of our UK Retail footprint have increased. We previously expected to have an estate of 120 shops by 2011; we now anticipate at least 150 shops by then, assuming no material acquisitions.

On the trading front, we attempted to cheer up customers in the face of poor results, and then further upped the ante as economic conditions toughened, with a succession of generous offers, particularly in Irish Retail. On top of bountiful Money-Back Specials, paying out extra places on each way bets and offering the best price on favourites in key events all across the Group, we have also run major campaigns specific to Irish Retail. These started with an extra-generous 'January Sale' and then offering 'guaranteed' board and early racing prices beginning with 'March Madness', then 'Spring Fever' and now the current 'Paddy's Price Promise' promotion (which also extends to Non Retail).

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There were plenty of examples of our trademark service, product quality and entertainment. When weather forced the cancellation of Wednesday's racing at the Cheltenham festival this year, we offered a £50 free bet for anyone with a ticket. To enhance our product, we created a second audio studio for more customised commentary to different parts of the shop estate. We also further integrated data flows between our systems for risk management, Electronic Point of Sale ('EPOS') and screens so our specialist horseracing product could be efficiently provided and promoted to Retail customers. Finally, the earliest known forms of betting for entertainment, the duration of the speeches at weddings and the office Grand National sweepstake, were made easy with Paddy Power branded ready-to-go kits.

(i) Irish Retail

€m	H1 2008	H1 2007	% Change
Amounts staked	489.5	460.9	+6%
Gross win	**68.7**	**67.7**	**+1%**
Gross win %	*14.0%*	*14.7%*	
Gross profit	63.4	62.9	+1%
Operating costs	(42.9)	(40.4)	+6%
Operating profit	**20.5**	**22.5**	**-9%**

The amounts staked within Irish Retail increased by 6% to €490m, while gross win grew by 1% to €69m, which was as expected lower than the increases of 11% and 31% respectively in the first half of 2007. Average stake per slip grew 1% to €21.81. Excluding the impact of new shops, like-for-like amounts staked and gross win were flat and down 5% respectively in the period. This result comprised satisfactory like-for-like turnover growth in January to April and a like-for-like turnover decline in May to June against difficult comparatives in May 2007. New shops can of course take turnover from existing Paddy Power shops lowering like-for-like comparisons, but improving the Group's overall position. A further particular factor affecting growth in Irish Retail is the significant increase in new shop openings in the total market of approximately 100 shops or 10% per annum in recent years. We see the impact of this within like-for-like growth with that group of shops which have not had a new competitor in the last two and a half years achieving 3% growth in the amounts staked in the period, while those which have had additional competition experiencing a 3% decline. Nonetheless, despite the continued high level of new shop openings by competitors, we have increased our overall market share in the last 12 months.

Operating cost growth was restricted to 6%, despite a 10% increase in the average number of shops, as we benefited from volume and other reductions successfully negotiated over a range of costs, an enlarged estate over which to spread relatively fixed central costs and the absence of some once-off depreciation charges incurred in the first half of 2007. Irish Retail also realised an exceptional gain of €2.7m in the period (excluded from the table above and throughout this statement) related to a successful industry appeal for a refund of VAT remitted on British Horseracing Board levies charged in prior years.

During the period, we opened eight new shops taking our estate to 186 units as at 30 June. Despite the very competitive nature of the market, given the strength of our brand, product range and customer service, this group of new shops, as well as the group of ten shops we opened last year and the eight that we acquired, are generating an attractive return on investment. We continue therefore to see opportunities for new openings in line with our medium term guidance of six to ten new shops per annum organically, with the expectation that we should exceed that range in 2008.

(ii) UK Retail

€m	H1 2008	H1 2007	% Change	*% Change in CC*
Amounts staked	84.0	83.0	1%	*16%*
OTC gross win	9.7	9.8	-1%	*14%*
Sportsbook gross win %	*12.4%*	*12.6%*		
Machine gross win	6.1	5.3	15%	*32%*
Total gross win	**15.8**	**15.1**	**5%**	***20%***
Gross profit	13.0	12.7	3%	*18%*
Operating costs	(12.5)	(13.2)	-5%	*4%*
Operating profit*	**0.5**	**(0.5)**		

(Operating profit in the first half of 2007 is shown after a €0.6m provision for shop closure costs included within Operating costs.)*

UK Retail profitability continues to grow with a trading profit of €0.5m in the period compared to €0.1m in the equivalent period last year, despite a reduction of approximately €0.4m due to the lower average sterling euro exchange rate and up front costs incurred in relation to our expansion. Turnover grew 16% in constant currency to €84m with average stake per slip growth of 6% in constant currency. Gross win grew 20% in constant currency to €15.8m comprised of over-the-counter ('OTC') growth of 14% to €9.7m and machine growth of 32% to €6.1m. Like-for-like gross win grew 16% in constant currency comprised of OTC growth of 8% and machine growth of 30%. Within our estate in Great Britain, there were 236 machines installed as at 30 June, an increase of 5 compared to 30 June last year. The average gross win per machine per week including VAT was £925, an increase of 29% compared to the first six months of 2007, helped by longer opening hours and the new content allowed on the machines by the Gambling Act.

Interim Statement
(Continued)

€m	H1 2008	H1 2007	% Change	*% Change in CC*
Shop estate EBITDA	**4.4**	**3.8**	**15%**	***33%***
Shop estate depreciation	(2.0)	(2.1)	-5%	*-5%*
Shop estate operating profit	**2.4**	**1.7**	**41%**	***99%***
Central overheads	(1.9)	(1.6)	19%	*33%*
Trading profit	**0.5**	**0.1**		

EBITDA per shop was €74,000, an increase of approximately 28% in constant currency. The main operating cost growth was related to longer evening opening hours and in central overheads where good progress has been made putting in place the infrastructure required to support shop openings in Glasgow and Manchester, as well as London. We opened one shop in London during the period, successfully achieving the capital cost per shop of under €0.4m we are targeting, as compared to an amount in excess of €0.5m under previous openings subject to the 'demand test'.

We acquired McGranaghan Racing, an eight shop Northern Irish bookmaking chain for a net consideration of €24m at the end of May. These units represent Paddy Power's first betting shops in Northern Ireland where strict application of the 'demand test' criteria has kept betting shop numbers relatively unchanged for many years. The estate has an attractive mix of different locations in the Belfast area and a similar business model to our own, employing a very competitive offering to drive high shop turnover and profitability. We have now completed a refit of all the shops and look forward to a long future bringing the Paddy Power difference to punters in Northern Ireland – albeit hopefully not one like our first month where bookie bashing Ascot and Euro 2008 results meant operating profit was not materially increased by the acquisition.

Taxation
The corporation tax charge for the period was €8.0m. This represents an effective tax rate of 16.0%, a reduction of approximately 1% compared to 2007. A deferred tax asset has not been recognised in respect of accumulated UK losses given the costs of the initial expansion into new cities. The Group's effective tax rate is above the standard rate of Irish corporation tax due to the impact of non-deductible expenses and some passive interest income which is taxed above the standard rate.

Financial position
Group total assets increased by €25m or 14% in the period and were €202m as at 30 June 2008. This growth was driven by an increase in non-current assets of €30m, reflecting the McGranaghan acquisition and continued investment in the retail estate. Current assets decreased in the period by €5m as a result of the McGranaghan acquisition, dividends to shareholders and share buybacks.

Group total liabilities increased by €18m or 30% in the period and were €78m as at 30 June 2008. This increase was driven primarily by the McGranaghan acquisition and income tax provided on the Group's profit for the period.

Dividends, Share Buyback Programme and Capital Structure

During the period, the Group returned a total of €31.1m of cash to shareholders through a combination of dividends and share buybacks. The final dividend paid to shareholders in respect of 2007 was €17.1m, an increase of 46% over the final 2006 dividend. In addition, €14.0m was returned to shareholders through share buybacks in the period and a total of €27.2m in the year to date. This reflects purchases in the year to date of 1.409m shares or 2.9% of the Company's share capital at an average price of €19.30. The Board has decided to pay an interim dividend of 18.6 cent per share, an increase of 16% on the 2007 interim dividend, resulting in a total expected payment of €8.8m. The Company aims to pay interim and final dividends that represent approximately one third and two thirds respectively of total expected dividends based on a 40% payout ratio. The interim dividend is payable on 26 September to shareholders on the register at the close of business on 5 September.

Despite these increased cash returns to shareholders, the Group continues to maintain a strong cash balance. As at 30 June this was €79m compared to €88m at 31 December 2007. This puts the Group in a strong position in the current environment and gives it flexibility for expansion organically or possibly via acquisitions. The Board will also 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.

Principal Risks and Uncertainties for the remainder of the year

The principal risks and uncertainties facing the Group remain those disclosed within the Directors' Report on pages 23 and 24 of the Group's 2007 Annual Report. The most relevant of these risks and uncertainties to the remainder of the year are:

- A material toughening of economic conditions and/or an increase in their impact on our businesses;
- A materially adverse run of sporting results and/or fixture cancellations;
- A prolonged period of intensifying price led competition;
- A very significant weakening of sterling against the euro;
- An unexpected material change in taxation.

Current Trading and Outlook

As anticipated at the time of the Preliminary Statement in March, the performance of the two principal economies in which we operate has deteriorated, and in fact more than consensus economic forecasts then predicted. Accordingly, growth rates in our businesses have slowed: in constant currency, Non Retail and Retail sportsbook amounts staked have increased by 12% and 2% respectively since the start of July versus last year, compared to growth of 17% and 7% respectively in the first half. This impact has been offset in part by reducing costs without compromising the customer experience. Furthermore, sports results since June for bookmakers have been poor, particularly for Irish bookmakers, due in a significant part to the fantastic success of Aidan O'Brien and Padraig Harrington this summer, along with the strong performance of the favoured teams at Euro 2008.

Interim Statement
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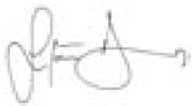
Paddy Power has always focused on providing better value than the competition to its customers, and we have stepped this up in the last three months. We have offered standout value on the most popular sporting events of the summer, and are also currently guaranteeing board and early prices in all horse racing and greyhound racing in the UK and Ireland in our Non Retail and Irish Retail channels. At a time when our customers are under pressure from tightening economies and rising prices, we believe that this approach reinforces with both existing and prospective customers how Paddy Power is different. Whilst competition remains strong in all our channels, we are confident that those operators with strong brands, market positions and balance sheets, coupled with the best product range and prices, will continue to grow and expand their market share.

The ongoing improvement in our risk management processes and the increasing benefits of our EPOS system will offset much of the cost of this trading strategy, most particularly in our larger retail channels. Accordingly, we are confident that our gross win percentage margin guidance of 11-13% for our retail channels remains appropriate. Our expectation for the gross win margin for our non retail channels going forward is 7-8%, or 0.5% below our previous guidance, as a consequence of aggressive competition in the marketplace and our trading strategy.

Since the 2007 Preliminary Results in March this year, the consensus forecast for Group operating profit for 2008 increased from €74m to €82m, principally as a result of favourable sporting results in the year to mid-May. Following the poor sporting results as well as the impact of toughening economic conditions since then, the Board now expects underlying operating profit for the year of approximately €75m, assuming a reasonable run of sporting results over the remainder of the year. Such an outcome would represent growth of €3m over the 2007 level of €72m, notwithstanding the fact that sterling depreciation is expected to reduce Group operating profit by approximately €5m this year. The impact of the share buyback programme and a lower effective tax rate results in an expected adjusted diluted EPS for 2008 at the expected operating profit of approximately €1.37, or 4-5% below the current consensus forecast.

In summary, the outlook for Paddy Power remains strong. Broadly half of our operating profits come from online betting and gaming, the overall market for which is projected to continue to grow well and in which we have a strong record of growing our market share. In Retail, we will continue to lead and differentiate ourselves against our competitors in the Irish market, and with continued strong growth in profitability per shop and good development progress we are more confident than ever before that the UK retail market presents a very attractive opportunity for Paddy Power.



Fintan Drury
Chairman

26 August 2008

Directors' Responsibility Statement in respect of the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008

We confirm our responsibility for preparing the condensed consolidated interim financial statements in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator, the Disclosure and Transparency Rules of the UK's Financial Services Authority ('the FSA') and with IAS 34 'Interim Financial Reporting' as adopted by the EU, and that to the best of our knowledge:

a) the condensed consolidated interim financial statements comprising the condensed consolidated interim income statement, the condensed consolidated interim statement of recognised income and expense, the condensed consolidated interim balance sheet, the condensed consolidated interim cash flow statement and related Notes 1 to 18 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator, the Disclosure and Transparency Rules of the FSA and with IAS 34 'Interim Financial Reporting' as adopted by the EU.

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

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

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

Patrick Kennedy
Chief Executive

Jack Massey
Finance Director

26 August 2008

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 *(unaudited)*			Six months ended 30 June 2007 *(unaudited)*	Year ended 31 December 2007 *(audited)*
		Before exceptional item	**Exceptional item *(Note 5)***	**Total**	Total	Total
	Note	**€'000**	**€'000**	**€'000**	€'000	€'000
Amounts staked by customers		**1,066,656**	**-**	**1,066,656**	993,663	2,027,777
Continuing Operations						
Income		**151,811**	**-**	**151,811**	143,762	278,952
Direct betting costs	*5*	**(16,186)**	**2,735**	**(13,451)**	(18,892)	(36,534)
Gross profit		**135,625**	**2,735**	**138,360**	124,870	242,418
Employee costs		**(44,345)**	**-**	**(44,345)**	(39,002)	(78,890)
Property expenses		**(12,402)**	**-**	**(12,402)**	(11,696)	(23,403)
Marketing expenses		**(13,902)**	**-**	**(13,902)**	(11,653)	(23,705)
Technology and communications		**(6,611)**	**-**	**(6,611)**	(6,214)	(13,685)
Depreciation and amortisation		**(8,251)**	**-**	**(8,251)**	(10,882)	(20,848)
Other expenses, net		**(5,013)**	**-**	**(5,013)**	(4,585)	(9,781)
Total operating expenses		**(90,524)**	**-**	**(90,524)**	(84,032)	(170,312)
Operating profit		**45,101**	**2,735**	**47,836**	40,838	72,106
Financial income		**1,987**	**-**	**1,987**	1,908	3,722
Profit before tax		**47,088**	**2,735**	**49,823**	42,746	75,828
Income tax expense	*6*	**(7,682)**	**(268)**	**(7,950)**	(7,288)	(13,050)
Profit for the period from continuing operations – all attributable to equity holders of the Company		**39,406**	**2,467**	**41,873**	35,458	62,778
Basic earnings per share	*7*			**€0.874**	€0.706	€1.274
Diluted earnings per share	*7*			**€0.861**	€0.695	€1.252

Condensed Consolidated Interim Statement of Recognised Income and Expense

For the six months ended 30 June 2008

	Six months ended 30 June 2008 *(unaudited)* €'000	Six months ended 30 June 2007 *(unaudited)* €'000	Year ended 31 December 2007 *(audited)* €'000
Profit for the period	**41,873**	35,458	62,778
Foreign exchange translation difference	**(53)**	-	(1)
Total recognised income and expense	**41,820**	35,458	62,777

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

Condensed Consolidated Interim Balance Sheet
As at 30 June 2008

	Note	**30 June 2008 *(unaudited)* €'000**	30 June 2007 *(unaudited)* €'000	31 December 2007 *(audited)* €'000
Assets				
Property, plant and equipment	8	**70,695**	72,110	69,432
Intangible assets	9	**26,342**	8,419	9,947
Goodwill	10	**17,594**	4,292	5,473
Deferred tax assets		**686**	282	364
Total non current assets		**115,317**	85,103	85,216
Trade and other receivables		**7,574**	4,141	4,206
Cash and cash equivalents		**79,088**	72,595	87,885
Total current assets		**86,662**	76,736	92,091
Total assets		**201,979**	161,839	177,307
Equity				
Issued capital	13	**4,923**	4,918	4,923
Share premium	13	**10,819**	10,614	10,819
Treasury shares	13	**(20,038)**	-	(5,975)
Shares held by long term incentive plan trust	13	**(17,540)**	(11,752)	(13,089)
Other reserves	13	**11,956**	7,593	11,149
Retained earnings	13	**134,117**	90,081	109,535
Total equity		**124,237**	101,454	117,362
Liabilities				
Trade and other payables	15	**4,613**	1,983	3,685
Derivative financial instruments – sports betting open positions	15	**1**	-	187
Deferred tax liabilities	11	**4,751**	-	-
Total non current liabilities		**9,365**	1,983	3,872
Trade and other payables	15	**57,270**	46,263	51,850
Derivative financial instruments – sports betting open positions	15	**2,101**	3,740	3,556
Current tax payable		**9,006**	8,399	667
Total current liabilities		**68,377**	58,402	56,073
Total equity and liabilities		**201,979**	161,839	177,307

Condensed Consolidated Interim Cash Flow Statement
For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (unaudited) €'000	Six months ended 30 June 2007 (unaudited) €'000	Year ended 31 December 2007 (audited) €'000
Cash flows from operating activities				
Profit before tax		**49,823**	42,746	75,828
Financial income		**(1,987)**	(1,908)	(3,722)
Depreciation and amortisation		**8,251**	10,882	20,848
Cost of employee share-based payments	14	**3,878**	2,379	6,216
Loss on disposal of property, plant and equipment and intangible assets		**183**	22	211
Cash from operations before changes in working capital		**60,148**	54,121	99,381
(Increase) / decrease in trade and other receivables		**(3,455)**	124	61
Increase in trade and other payables and derivative financial instruments		**1,917**	4,578	12,251
Cash generated from operations		**58,610**	58,823	111,693
Income taxes paid		**-**	(558)	(14,144)
Net cash from operating activities		**58,610**	58,265	97,549
Cash flows from investing activities				
Purchase of property, plant and equipment		**(7,346)**	(6,309)	(12,466)
Purchase of intangible assets		**(1,129)**	(1,212)	(2,945)
Purchase of businesses	11	**(22,366)**	(2,634)	(5,415)
Proceeds from disposal of property, plant and equipment and intangible assets		**72**	100	184
Interest received		**2,185**	2,002	3,712
Net cash used in investing activities		**(28,584)**	(8,053)	(16,930)
Cash flows from financing activities				
Proceeds from the issue of new shares		**-**	327	669
Purchase of treasury shares	13	**(14,239)**	(48,193)	(54,242)
Purchase of shares by long term incentive plan trust	13	**(7,530)**	(5,138)	(6,715)
Dividends paid	12	**(17,054)**	(11,674)	(19,507)
Net cash used in financing activities		**(38,823)**	(64,678)	(79,795)
Net (decrease) / increase in cash and cash equivalents		**(8,797)**	(14,466)	824
Cash and cash equivalents at start of period		**87,885**	87,061	87,061
Cash and cash equivalents at end of period		**79,088**	72,595	87,885

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Paddy Power plc ('the Company') is a company incorporated in the Republic of Ireland. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as 'the Group').

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2007, 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.

The condensed consolidated interim financial statements were approved by the Board of Directors of Paddy Power plc on 26 August 2008.

2. Basis of preparation and accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator, the Disclosure and Transparency Rules of the UK's Financial Services Authority ('the FSA') and with IAS 34 'Interim Financial Reporting' as adopted by the EU. The financial information contained in the condensed consolidated interim financial statements has been prepared in accordance with the accounting policies set out in the Company's last annual financial statements in respect of the year ended 31 December 2007. The Group did not adopt any new International Financial Reporting Standards or interpretations in the period that had a material impact on the Group's condensed consolidated interim financial statements.

The condensed consolidated interim financial statements are prepared on the historical cost basis except for betting transactions, which are recorded as derivative financial instruments, and certain share-based payments, both of which are stated at fair value or grant date fair value, respectively. The condensed consolidated interim financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

3. Judgements and estimates

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

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

The licence intangible assets acquired as a result of the purchase of the D McGranaghan Limited bookmaking business are not being amortised. It is the directors' opinion that these licences have an indefinite life for the reasons set out in Note 9.

4. Segmental information

The income, 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 UK.

The Group's income and operating profit will vary by reporting period depending on when major sporting events happen and on whether the Group records favourable or unfavourable results from those events.

(a) By business segment

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

Business segment information for the six months ended 30 June 2008:

	Non retail 30/06/2008 €'000	Retail 30/06/2008 €'000	Other unallocated 30/06/2008 €'000	Total 30/06/2008 €'000
Income	67,326	84,485	-	151,811
Direct betting costs	(8,120)	(8,066)	-	(16,186)
Gross profit	59,206	76,419	-	135,625
Depreciation and amortisation	(1,615)	(6,627)	(9)	(8,251)
Other operating costs	(30,820)	(47,566)	(3,887)	(82,273)
Operating profit before exceptional item	26,771	22,226	(3,896)	45,101
Exceptional item	-	2,735	-	2,735
Operating profit	26,771	24,961	(3,896)	47,836
Financial income	-	-	1,987	1,987
Profit before tax	26,771	24,961	(1,909)	49,823
Total assets	7,893	112,862	81,224	201,979
Segment liabilities	33,145	19,639	24,958	77,742
Capital expenditure	1,074	8,187	-	9,261

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

4. Segmental information (continued)

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

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

Business segment information for the year ended 31 December 2007:

	Non retail 31/12/2007 €'000	Retail 31/12/2007 €'000	Other unallocated 31/12/2007 €'000	Total 31/12/2007 €'000
Income	121,837	157,115	-	278,952
Direct betting costs	(21,654)	(14,880)	-	(36,534)
Gross profit	100,183	142,235	-	242,418
Depreciation and amortisation	(4,148)	(16,680)	(20)	(20,848)
Other operating costs	(51,587)	(88,737)	(9,140)	(149,464)
Operating profit	44,448	36,818	(9,160)	72,106
Financial income	-	-	3,722	3,722
Profit before tax	44,448	36,818	(5,438)	75,828
Total assets	14,393	82,122	80,792	177,307
Segment liabilities	23,771	20,389	15,785	59,945
Capital expenditure	3,945	9,276	-	13,221

The amounts shown in the 'other unallocated' category above, representing items that cannot be allocated to either the non retail or 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.

4. Segmental information (continued)

(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	Ireland & other	Ireland & other	**UK**	UK	UK	**Total**	Total	Total
	30/06/08 €'000	30/06/07 €'000	31/12/07 €'000	**30/06/08 €'000**	30/06/07 €'000	31/12/07 €'000	**30/06/08 €'000**	30/06/07 €'000	31/12/07 €'000
Income	**103,548**	97,055	188,407	**48,263**	46,707	90,545	**151,811**	143,762	278,952
Segment assets	**139,560**	115,236	128,331	**62,419**	46,603	48,976	**201,979**	161,839	177,307
Capital expenditure	**9,027**	5,771	11,787	**234**	262	1,434	**9,261**	6,033	13,221

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

4. Segmental information (continued)

Further analysis of the business segments by channel shows:

	Six months ended 30 June 2008 €'000	Six months ended 30 June 2007 €'000	Year ended 31 December 2007 €'000
Amounts staked by customers			
Online	**349,826**	297,332	629,671
Telephone	**143,317**	152,452	296,604
Non Retail Division	***493,143***	*449,784*	*926,275*
Irish Retail	**489,534**	460,871	930,005
UK Retail	**83,979**	83,008	171,497
Retail Division	***573,513***	*543,879*	*1,101,502*
	1,066,656	993,663	2,027,777
Income			
Online	**54,950**	45,600	94,794
Telephone	**12,376**	15,340	27,043
Non Retail Division	***67,326***	*60,940*	*121,837*
Irish Retail	**68,668**	67,716	126,086
UK Retail	**15,817**	15,106	31,029
Retail Division	***84,485***	*82,822*	*157,115*
	151,811	143,762	278,952
Gross profit before exceptional item			
Online	**46,913**	35,384	75,394
Telephone	**12,293**	13,892	24,789
Non Retail Division	***59,206***	*49,276*	*100,183*
Irish Retail	**63,418**	62,920	116,451
UK Retail	**13,001**	12,674	25,784
Retail Division	***76,419***	*75,594*	*142,235*
	135,625	124,870	242,418
Operating profit / (loss) before exceptional item			
Online	**21,108**	14,811	31,962
Telephone	**2,957**	4,056	6,441
Non Retail Division	***24,065***	*18,867*	*38,403*
Irish Retail	**20,511**	22,497	34,607
UK Retail	**525**	(526)	(904)
Retail Division	***21,036***	*21,971*	*33,703*
	45,101	40,838	72,106

5. Direct betting costs and exceptional item

Direct betting costs comprise:

	Six months ended 30 June 2008 €'000	Six months ended 30 June 2007 €'000	Year ended 31 December 2007 €'000
Betting taxes	**6,608**	10,159	18,263
Software supplier costs	**5,302**	3,987	8,711
Other direct betting costs	**4,276**	4,746	9,560
Direct betting costs before exceptional item	**16,186**	18,892	36,534
Less: Exceptional item – refund of VAT relating to British Horseracing Board levies	**(2,735)**	-	-
Direct betting costs after exceptional item	**13,451**	18,892	36,534

Betting taxes comprise taxes levied on gross win and tax levied on Irish retail amounts staked.

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

Other direct betting costs comprise payments to third parties for new online customers acquired, data rights which mainly comprise costs incurred in respect of British Horseracing Board and UK statutory levies, prize and tournament costs and other miscellaneous direct betting costs.

Exceptional item – refund of VAT relating to British Horseracing Board levies

The exceptional item relates to a refund of Irish Value Added Tax ('VAT'), originally paid to the Irish Revenue Commissioners in respect of prior periods, on certain British Horseracing Board levies charged by BHB Enterprises plc to the Irish retail business segment. The refund follows a determination that Irish VAT was not in fact due on those levies. The refund amount due of €2,735,000 has been included in 'Trade and other receivables' in the consolidated balance sheet and was received after the period end.

6. Taxation

Income tax is accrued for the interim reporting period using the tax rate that is expected to be applicable to estimated total annual earnings. This expected annual effective income tax rate is applied to the taxable income of the interim period.

The Group's effective tax rate for the period was 16.0% (six months ended 30 June 2007: 17.0% and year ended 31 December 2007: 17.2%), which compares to the standard Irish corporation tax rate of 12.5%. The primary reasons for the difference in the effective tax rate versus the standard tax rate are depreciation on certain items of property, plant and equipment and amortisation of intangible assets that do not qualify for capital allowances, the disallowance of Irish betting duty costs as a tax-deductible expense and the taxation of certain interest income at income tax rates higher than the standard corporation tax rate.

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

7. Earnings per share

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

The calculation of basic and diluted EPS is as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Numerator in respect of basic and diluted earnings per share (€'000):			
Profit attributable to equity holders of the Company	**41,873**	35,458	62,778
Numerator in respect of adjusted basic and diluted earnings per share (€'000):			
Profit attributable to equity holders of the Company	**41,873**	35,458	62,778
Less: VAT refund exceptional item	**(2,467)**	-	-
Profit for adjusted earnings per share calculation	**39,406**	35,458	62,778
Denominator in respect of basic earnings per share (in '000s):			
Weighted average number of shares in issue during the period	**47,898**	50,245	49,260
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 share award schemes	**762**	764	872
Adjusted weighted average number of shares in issue during the period	**48,660**	51,009	50,132
Basic earnings per share	**€0.874**	€0.706	€1.274
Adjusted earnings per share	**€0.823**	n/a	n/a
Diluted earnings per share	**€0.861**	€0.695	€1.252
Adjusted diluted earnings per share	**€0.810**	n/a	n/a

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 2008 by 833,877 (2007: 717,817) shares.

8. Property, plant and equipment

	Land, buildings & leasehold improvements €'000	Fixtures & fittings €'000	Computer equipment €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2007	45,757	63,240	15,158	1,106	125,261
Additions	2,495	5,677	2,088	200	10,460
Additions – business combinations	208	238	-	-	446
Disposals	(170)	(485)	(6)	(383)	(1,044)
Balance at 31 December 2007	48,290	68,670	17,240	923	135,123
Additions	1,804	5,514	625	244	8,187
Additions – business combinations *(Note 11)*	-	70	-	-	70
Disposals	(80)	(599)	(3)	(132)	(814)
Balance at 30 June 2008	**50,014**	**73,655**	**17,862**	**1,035**	**142,566**
Accumulated depreciation					
Balance at 1 January 2007	10,495	27,879	10,178	469	49,021
Depreciation charges	2,894	9,323	3,060	168	15,445
Impairment charges	909	993	38	-	1,940
Disposals	(69)	(357)	(4)	(285)	(715)
Balance at 31 December 2007	14,229	37,838	13,272	352	65,691
Depreciation charges	916	4,439	1,294	90	6,739
Impairment charges	-	-	-	-	-
Disposals	(20)	(449)	(3)	(87)	(559)
Balance at 30 June 2008	**15,125**	**41,828**	**14,563**	**355**	**71,871**
Net book value					
At 30 June 2008	**34,889**	**31,827**	**3,299**	**680**	**70,695**
At 31 December 2007	34,061	30,832	3,968	571	69,432

The impairment charges in the year ended 31 December 2007 relate to the retail business segment and arose from a review of the carrying value of shop properties and the closure of a shop in the UK retail estate. The recoverable amounts used in the calculation of retail business segment impairment charges are based on value in use, with the exception of the shop closure which is based on fair value less costs to sell. The pre-tax discount rate used to determine value in use was 10.0%. The impairment charges are included in 'depreciation and amortisation' in the condensed consolidated interim income statement. Of the total impairment charge recognised in the year ended 31 December 2007, €872,000 was recognised in the six months ended 30 June 2007.

The directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the period over which the assets are being depreciated.

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

9. Intangible assets

The movements during the prior year and current period in respect of intangible assets, which comprise computer software, licences and customer relationships (all acquired), were as follows:

	Computer software €'000	Licences €'000	Customer relationships €'000	Total €'000
Cost				
Balance at 1 January 2007	12,452	3,815	-	16,267
Additions	2,539	222	-	2,761
Additions – business combinations	-	-	1,455	1,455
Disposals	(172)	(31)	-	(203)
Balance at 31 December 2007	14,819	4,006	1,455	20,280
Additions	1,074	-	-	1,074
Additions – business combinations *(Note 11)*	-	15,675	1,158	16,833
Disposals	-	-	-	-
Balance at 30 June 2008	**15,893**	**19,681**	**2,613**	**38,187**
Amortisation				
Balance at 1 January 2007	6,583	424	-	7,007
Amortisation charges	2,535	472	154	3,161
Impairment charges	66	236	-	302
Disposals	(135)	(2)	-	(137)
Balance at 31 December 2007	9,049	1,130	154	10,333
Amortisation charges	1,056	357	99	1,512
Impairment charges	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2008	**10,105**	**1,487**	**253**	**11,845**
Net book value				
At 30 June 2008	**5,788**	**18,194**	**2,360**	**26,342**
At 31 December 2007	5,770	2,876	1,301	9,947

The value of betting shop licences acquired as a result of the purchase of D McGranaghan Limited (see Note 11) are not being amortised as the directors consider these licences to have an indefinite life because:

- existing law in Northern Ireland restricts entry of new competitors;
- there exists a proven and future expected demand for bookmaking services and products; and
- Paddy Power has a track record of renewing its betting permits and licences at minimal cost.

9. Intangible assets (continued)

The Group reviews the carrying value of licences for impairment annually (or more frequently if there are indications that the value of licences may be impaired) by comparing the carrying values of these assets with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

Included in the impairment charges in respect of the year ended 31 December 2007 are €157,000 relating to the retail business segment and €145,000 relating to the non retail business segment. The impairment charges arose from a review of the carrying value of shop properties, the closure of a shop in the UK retail estate and reviews of the carrying values of intangible assets used in the non retail business. The recoverable amounts used in the calculation of retail business segment impairment charges are based on value in use, with the exception of the shop closure which is based on fair value less costs to sell. The recoverable values of non retail business segment assets are based on their fair values less costs to sell. The pre-tax discount rate used to determine value in use was 10%. The impairment charges are included in 'depreciation and amortisation' in the condensed consolidated interim income statement. Of the total impairment charge recognised in the year ended 31 December 2007, €236,000 was recognised in the six months ended 30 June 2007.

10. Goodwill

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

	Irish retail €'000	UK retail €'000	Total €'000
Balance at 1 January 2007	904	976	1,880
Arising on acquisition	3,593	-	3,593
Balance at 31 December 2007	4,497	976	5,473
Arising on acquisition *(Note 11)*	-	12,173	12,173
Other adjustments to goodwill	(52)	-	(52)
Balance at 30 June 2008	**4,445**	**13,149**	**17,594**

Goodwill on Irish retail properties arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and the acquisition of three retail bookmaking businesses during the year ended 31 December 2007.

Goodwill on UK retail properties arose from the acquisition of two London bookmaking businesses in 2004 and the acquisition of a retail bookmaking company in Northern Ireland in May 2008 (see Note 11).

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

11. Business combinations

D McGranaghan Limited

In May 2008, the Group acquired 100% of the share capital of D McGranaghan Limited, a company operating eight retail licenced betting shops and a telephone betting business, primarily in the Belfast area of Northern Ireland.

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

	Book value on acquisition €'000	Provisional fair value adjustments in the six months ended 30 June 2008 €'000	Provisional fair values at 30 June 2008 €'000
Identifiable net assets acquired:			
Property, plant and equipment	468	(398)	70
Intangible assets - customer relationships and licences	-	16,833	16,833
Cash and cash equivalents	2,427	-	2,427
Other net current liabilities	(652)	(23)	(675)
Deferred tax liability	(38)	(4,713)	(4,751)
	2,205	11,699	13,904
Goodwill arising on acquisition			12,173
Consideration (including associated purchase costs and deferred consideration)			26,077
Satisfied by:			
Cash consideration (including associated purchase costs)			24,765
Deferred consideration			1,262
Accrued acquisition expenses			50
			26,077
Net cash outflow from purchase of businesses for the purposes of the cash flow statement:			
Cash consideration (including associated purchase costs)			24,765
Less: cash and cash equivalents acquired			(2,427)
			22,338
Payments made in respect of expenses accrued for 2007 acquisitions			28
Purchase of businesses			22,366

11. Business combinations (continued)

The fair values of assets and liabilities acquired have been determined provisionally as of 30 June 2008. There may be changes to the value of these assets and liabilities in the financial statements for the year ending 31 December 2008 as the Group has yet to finalise the fair values of the identifiable net assets acquired. In particular, the allocation of the excess of the purchase consideration over the fair value of the net assets acquired between goodwill and licences intangible assets is based on initial estimates and may be revised when the final valuation has been performed.

The principal factors contributing to the goodwill balance above are the well established nature of the acquired business within the locations in which it operates, the quality of its customer base and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired business within the Paddy Power group.

Since the date of acquisition to 30 June 2008, the acquired business contributed €3.6m, €0.3m and €0.1m to amounts staked, income and operating profit, respectively.

If the acquisition had occurred on 1 January 2008, then its contribution to income for the six months ended 30 June 2008 would have been €2.5m (including the €0.3m actually contributed) and its contribution to operating profit for the six months ended 30 June 2008 would have been a profit of €0.8m (including the €0.1m profit actually contributed and excluding certain once-off costs incurred by D McGranaghan Limited as a result of the sale to Paddy Power plc).

12. Dividends paid and proposed

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	€'000	€'000	€'000
Final dividend of 22.77 cent per share for year ended 31 December 2006	**-**	11,674	11,674
Interim dividend of 16.00 cent per share for period ended 30 June 2007	**-**	-	7,833
Final dividend of 35.00 cent per share for year ended 31 December 2007	**17,054**	-	-
	17,054	11,674	19,507

The directors propose an interim dividend of 18.60 cent per share which will be paid on 26 September 2008 to shareholders on the Company's register of members at the close of business on the record date of 5 September 2008. This dividend, which is estimated to be approximately €8,847,000, has not been included as a liability at 30 June 2008.

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

13. Movement in equity

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2007	51,238,437	5,124	10,163	923	-	(8,137)	5,613	114,445	128,131
Shares issued	126,758	13	656	-	-	-	-	-	669
Own shares acquired:									
By the long term incentive plan trust - 325,000 ordinary shares	-	-	-	-	-	(6,715)	-	-	(6,715)
By the Company – 2,389,443 ordinary shares	-	-	-	-	(53,573)	-	-	(669)	(54,242)
Cancellation of own shares acquired	(2,139,443)	(214)	-	214	47,598	-	-	(47,598)	-
Total recognised income and expense	-	-	-	(1)	-	-	-	62,778	62,777
Equity-settled transactions	-	-	-	-	-	1,763	4,529	(43)	6,249
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	(129)	129	-
Dividends to shareholders *(Note 12)*	-	-	-	-	-	-	-	(19,507)	(19,507)
Balance at 31 December 2007	49,225,752	4,923	10,819	1,136	(5,975)	(13,089)	10,013	109,535	117,362
Shares issued	-	-	-	-	-	-	-	-	-
Own shares acquired:									
By the long term incentive plan trust - 335,000 ordinary shares	-	-	-	-	-	(7,530)	-	-	**(7,530)**
By the Group – 644,000 ordinary shares	-	-	-	-	(14,063)	-	-	(176)	**(14,239)**
Total recognised income and expense	-	-	-	(53)	-	-	-	41,873	**41,820**
Equity-settled transactions:									
Expensed in the income statement	-	-	-	-	-	-	3,878	-	**3,878**
Vesting of LTIP awards and other movements	-	-	-	-	-	3,079	(3,018)	(61)	**-**
Dividends to shareholders *(Note 12)*	-	-	-	-	-	-	-	(17,054)	**(17,054)**
Balance at 30 June 2008	**49,225,752**	**4,923**	**10,819**	**1,083**	**(20,038)**	**(17,540)**	**10,873**	**134,117**	**124,237**

13. Movement in equity (continued)

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2007: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During the six months ended 30 June 2008, the Group purchased 644,000 (2007: 2,389,443) of the Company's own shares on the market at prices ranging from €21.15 to €22.39 (2007: €21.40 to €23.90) and at an average price of €21.84 (2007: €22.42). The total cost of the shares purchased was €14,239,000 (2007: €54,242,000), comprised of €14,063,000 (2007: €53,573,000) for the shares themselves and a further €176,000 (2007: €669,000) for other purchase related costs. The other purchase related costs have been written off directly to retained earnings. Of the shares purchased in 2007, a total of 2,139,443 shares were subsequently cancelled and the remaining 250,000 shares were held in treasury at 31 December 2007. The shares purchased in the six months ended 30 June 2008 are also held in treasury, and a total of 894,000 shares were held in treasury as of 30 June 2008. All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to €20,038,000 as of 30 June 2008 (2007: €5,975,000).

At 30 June 2008, the Company held a further 905,849 of its own shares (2007: 796,028), which were acquired at a total cost of €17,540,000 (2007: €13,089,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan and Managers' Deferred Share Award Scheme (collectively referred to as the 'Share Award Schemes'). The Company's distributable reserves at 30 June 2008 are further restricted by this amount. In the six months ended 30 June 2008, 225,179 shares originally valued at €3,079,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2007: 183,472 shares originally valued at €1,763,000).

Other reserves comprise the net foreign exchange translation differences together with a capital redemption reserve fund and a capital conversion reserve fund. The foreign exchange reserve at 30 June 2008 was a deficit of €53,000 (2007: €nil) which arose primarily from the retranslation of the Group's net investment in D McGranaghan Limited. The capital redemption reserve fund of €876,000 (2007: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. During 2007, an amount of €214,000, representing the nominal value of the Company's own shares purchased by the Company and subsequently cancelled, was transferred from share capital to the capital redemption reserve fund. The capital conversion reserve fund of €260,000 (2007: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro.

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

14. Share schemes

Summary of share-based payments expense

The share-based payments expense in the income statement in respect of the Group's share schemes is comprised as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	€'000	€'000	€'000
Share option schemes	**231**	212	453
Sharesave scheme	**162**	181	268
Long Term Incentive Plan	**3,362**	1,986	4,035
Managers' Deferred Share Award Scheme	**123**	-	1,460
	3,878	2,379	6,216

All of the above schemes are treated as equity-settled in the financial statements as all can only be settled by the allocation of shares purchased in the market or by the issue of new shares.

Long Term Incentive Plan

During the six months ended 30 June 2008, the Company granted 220,000 share awards under the Long term Inventive Plan ('LTIP') to senior management (including executive directors). The share prices on the dates of grant ranged from €21.60 to €24.25. The total cost of these grants is estimated at €5,009,000 and is expensed in the Group income statement over the minimum vesting period of the grant (being the expected term of the grant), i.e. three years. The operating profit for the six months ended 30 June 2008 is stated after an LTIP charge of €3,362,000 (six months to 30 June 2007: €1,986,000).

A total of 225,179 shares in respect of 2005 LTIP awards and related dividends were vested from the long term incentive plan trust to senior management during the six months ended 30 June 2008 (six months to 30 June 2007: 158,472 shares relating to 2004 LTIP awards).

Share Option Schemes

No options were awarded to or exercised by employees during the six months ended 30 June 2008 (six months to 30 June 2007: no share options awarded and 84,000 options exercised).

15. Trade and other payables and derivative financial instruments

Non current liabilities:

	30 June 2008 €'000	31 December 2007 €'000
Trade and other payables		
Accruals and other liabilities	**4,613**	3,685
	4,613	3,685
Derivative financial instruments		
Sports betting open positions	**1**	187

Current liabilities:

	30 June 2008 €'000	31 December 2007 €'000
Trade and other payables		
Trade payables	**7,953**	6,110
Customer balances	**16,697**	15,326
PAYE and social security	**1,653**	1,399
Value added tax	**774**	654
Betting duty	**4,374**	4,200
Deferred purchase consideration	**1,262**	-
Accruals and other liabilities	**24,557**	24,161
	57,270	51,850
Derivative financial instruments		
Sports betting open positions	**2,101**	3,556

Derivative financial instruments - sports betting open positions

Amounts received from customers on sportsbook events that have not occurred by the period end are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit and loss. Derivative financial instruments represent the fair value of sports betting open positions at the period end.

The carrying amount of the liability is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets. A currency risk may arise where such bets are denominated in a currency other than the euro. This currency risk is not considered significant as any payout on such bets is made in the same currency as that in which the bet was originally staked.

Notes to the Condensed Consolidated Interim Financial Statements
(Continued)

16. Commitments and contingencies

(a) Guarantees

The Group has working capital overdraft facilities of €2.7m with Allied Irish Banks plc. These facilities are unsecured.

The Company enters into financial guarantee contracts to guarantee the indebtedness of other parties including companies within its Group. The Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(b) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred was as follows:

	30 June 2008 €'000	31 December 2007 €'000
Property, plant and equipment	**766**	569
Intangible assets	**-**	-
	766	569

(c) Operating lease commitments

The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The Group had the following commitments in respect of operating leases on properties where the lease terms expire as follows:

	30 June 2008		31 December 2007	
	Annual commitment	**Total commitment**	Annual commitment	Total commitment
	€'000	**€'000**	€'000	€'000
Within 1 year	**908**	**908**	854	854
Between 2 and 5 years	**1,540**	**7,076**	1,377	4,102
After 5 years	**8,712**	**146,073**	9,386	153,128
	11,160	**154,057**	11,617	158,084

17. Related parties

There were no transactions with related parties during the periods ending 30 June 2008, 31 December 2007 or 30 June 2007 that materially impacted the financial position or performance of the Group.

18. Events after the balance sheet date

In respect of the current period, the directors propose that an interim dividend of 18.60 cent per share (2007: 16.00 cent per share) will be paid to shareholders on 26 September 2008. This dividend has not been included as a liability in these condensed consolidated interim financial statements.
The proposed dividend is payable to all shareholders on the Register of Members on 5 September 2008. The total estimated dividend to be paid amounts to €8,847,000 (2007: €7,833,000).

The Company purchased 765,000 Paddy Power plc ordinary shares under a share buyback programme between 30 June 2008 and date of issue of these financial statements at share prices ranging from €15.55 to €17.98 and for a total consideration of €13,290,000 including other purchase related costs.

Independent Review Report to Paddy Power plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 30 June 2008 which comprise the condensed consolidated interim income statement, condensed consolidated interim statement of recognised income and expense, condensed consolidated interim balance sheet, condensed consolidated interim cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ('the TD Regulations'), the Transparency Rules of the Republic of Ireland's Financial Regulator and the Disclosure and Transparency Rules of the UK's Financial Services Authority ('the FSA'). 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 condensed consolidated interim financial statements are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the condensed consolidated interim financial statements in accordance with the TD Regulations, the Transparency Rules of the Republic of Ireland's Financial Regulator and the Disclosure and Transparency Rules of the UK FSA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 30 June 2008 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations, the Transparency Rules of the Republic of Ireland's Financial Regulator and the Disclosure and Transparency Rules of the UK FSA.

KPMG

Chartered Accountants
Dublin

26 August 2008

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, Office of the Revenue Commissioners, Government Offices, St Conlon's Road,
Nenagh, Co. Tipperary, Ireland.
Telephone: +353-67-33533
Facsimile: +353-67-33822
E-mail: infodwt@revenue.ie

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.

2008 financial calendar

Announcement of interim results for 2008	27 August 2008
Ex-dividend date for interim dividend	3 September 2008
Record date for interim dividend	5 September 2008
Interim dividend payment date	26 September 2008

Notes

Paddy Power plc

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