

Operations Review

Betting Shops

The Group operates 139 (2002: 129) betting shops throughout Ireland and the United Kingdom as at 30 June 2003. During the six months to 30 June, five (2002: three) new outlets were opened in Ireland bringing the total number in Ireland to 134. In addition, five (2002: one) shops were relocated while one (2002: three) was refurbished. The Group also operates four racecourse shops as well as a stadium shop at Lansdowne Road, home of the Irish Rugby Football Union and home venue for the Football Association of Ireland.

Consistent with our stated strategy we plan to roll out a test bed of approximately 12 shops in the UK by the end of 2003. We are pleased with progress to date and we continue to further develop the product offering with each new shop opened.

In the UK, the Group operated five (2002: two) betting shops as at 30 June 2003. In addition, it has a further six licences that are yet to open giving it a total of eleven licences at 30 June 2003. Two FOBT's and two AWP's have been installed in each premise.

Since 30 June, two further shops have been opened in Ireland bringing the total in Ireland to 136 at the date of this report. In addition there have been two relocations and one extension completed. In the UK, one new shop has been opened while seven

additional licences have been granted between 30 June and the date of this report. This brings the total licences held in the UK to 18 of which six are open at the date of this report. A further 14 licence applications are at various stages of processing and we are hopeful that the licence hearing dates for the majority will be scheduled before the year-end. On top of this, the Group is actively pursuing additional premises.

The Group has now installed two FOBT's in each betting shop in the UK. All new units will have FOBT's installed as part of their standard fit, in addition to the existing AWP machines.

Non-retail

During the period, the Group commenced the merger of the telephone and on-line operations under a single management structure and on a single technology platform. This will enable Paddy Power to offer a single account to our customers which can be used to fund bets through any of the non-retail channels. Completion of this project is expected towards the end of this year.

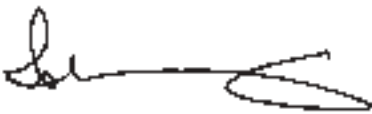
Telephone

The Group operates a free telephone betting service in both Ireland and the UK. The Irish business, which has been operating since 1996, has continued to see strong turnover growth driven by new and existing

customers. The UK business, which is in the early stages of development, continues to see good growth and now represents 38.7% of turnover for this division. Total registered customers have increased to 55,948 from 45,990 at 31 December 2002, with 31,429 in Ireland and 24,519 in the UK. Total active customers (those that have bet in the last three months) have increased to 22,037 from 14,574 at 31 December 2002, with 11,503 (Dec 2002: 8,600) in Ireland and 10,534 (Dec 2002: 5,974) in the UK.

On-line

The on-line division has continued to make strong progress in the first half of 2003 with turnover exceeding a weekly run rate of €3m. Total registered customers have increased to 152,641 from 121,327 at 31 December 2002, with 59,933 in Ireland and 92,708 in the UK. Total active customers (those that have bet in the last three months) have increased to 42,730 from 29,660 at 31 December 2002, with 16,497 (December 2002: 10,501) in Ireland and 26,233 (December 2002: 19,159) in the UK.



John O'Reilly
Chief Executive Officer
1 September 2003