

LETTER TO SHAREHOLDERS

To all shareholders

I am writing to you to outline the background to the resolutions to be proposed at the forthcoming annual general meeting of Paddy Power plc (the "Company"), all of which are recommended by the Board for approval. Your attention is drawn to the Notice of the Annual General Meeting of the Company, to be held at the Conrad Dublin Hotel, Earlsfort Terrace, Dublin 2 at 11.00 am on 17 May 2005. In addition to the ordinary business which deals with the Report and Accounts, the dividend, the re-appointment of directors, and the Auditors' remuneration, there are various items of special business which are described further below.

Resolutions 3 & 4 of the ordinary business recommend the re-appointment of three directors. Breon Corcoran and Brody Sweeney were appointed by the directors since the last Annual General Meeting and in accordance with the Articles of Association of the Company put themselves forward for re-appointment by the shareholders. Ross Ivers, having served on the Board for three years, retires in accordance with Regulation 87 of the Articles of Association and being eligible, offers himself for re-appointment. In view of their experience and skills, and their contribution to the Board to date, the Board recommends the re-appointment of these directors. Biographical information on these directors is given in the Annual Report.

Shareholders are being asked in resolution 6 to renew, for a period of five years, to 17 May 2010, the Board's authority to allot relevant securities up to an aggregate nominal value not exceeding the present authorised unissued capital of the Company i.e. 20 million shares, representing 39.9% of the total issued ordinary share capital of the Company as at 21 February 2005. The directors intend to use this authority to allot shares to Group employees who exercise options granted to them by the Company under the Group Employee Share Schemes. At 21 February 2005, the total outstanding employee share options unexercised are 1,448,394.

Shareholders are being asked in resolution 7 to renew the directors' authority to allot shares for cash without being required to offer them first to shareholders. This authority is limited to an allotment of up to an aggregate nominal value equal to 5% of the nominal value of the Company's issued ordinary share capital i.e. 2.5 million shares. If renewed, this authority will expire at the next Annual General Meeting or 16 November 2006, whichever is the earlier.

Shareholders are being asked in resolution 8 to renew the authority to empower the Company, or any Subsidiary, to make market purchases of the Company's shares and to determine the price at which treasury shares may be re-issued off market. No more than 10% of the issued share capital of the Company may be acquired under this authority at a price range which is no less than the

nominal value of the Company's shares and no greater than 105% of the average price of the Company's shares over the five dealing days prior to the date of purchase by the Company. Shares purchased by the Company may be cancelled or held in treasury pending cancellation or reissue. Any treasury shares which are re-issued off market must be re-issued within a price range determined by a special resolution of the Company which shall not be less than 95%, nor more than 120%, of the average price of the Company's shares over the ten dealing days prior to the date of re-issue by the Company.

The total number of options to subscribe for shares in the Company on 21 February 2005, is 1,448,394 which represents 2.9% of the issued share capital of the Company on that date. This percentage would increase to 3.2% if the full authority to buy shares is used. The authority sought will expire on the date of the next Annual General Meeting of the Company or 16 November 2006, whichever is earlier. The Board will only exercise the power to purchase shares in the future, at price levels at which it considers purchases to be in the best interest of the shareholders generally, after taking into account of the Group's overall financial position. The Board has no immediate plans to make any such purchase.

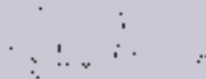
Action to be taken

A Form of Proxy for use at the Annual General Meeting is enclosed with this Annual Report. The Form of Proxy will be valid if lodged at the registered office of the Company or with the Company's registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Carrig Road, Dublin 18. Alternatively you may wish to submit your votes via the internet and instructions on how to do so are shown on the form. All proxy forms must be lodged no later than 48 hours before the time appointed for the meeting. The completion and lodging of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Recommendation

The directors believe that the resolutions proposed are in the best interests of the Company and its shareholders, and so they recommend that you vote in favour of these resolutions, as they intend to themselves in respect of their shares.

Yours Sincerely



Fintan Drury
Chairman

22 February 2004