

## CHAIRMAN'S STATEMENT

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

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

\*2004 comparatives have been restated in accordance with IFRS

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

The external environment continues to change rapidly. We have seen consolidation of significant retail operators through acquisitions in both the UK and Ireland in the past six months, the emergence of poker as a significant global online business, the review of Irish betting tax legislation together with continued legislative change around the

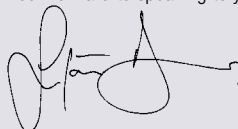
world including the passing of the Gambling Act in the UK. We see these changes as opportunities for Paddy Power and I am confident that we are well positioned to take advantage of them.

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

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

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

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



**Fintan Drury**  
Chairman

30 August 2005