

# Chairman's

## Chairman's Statement

I am delighted, in issuing my first report as Chairman of Paddy Power plc, to report record sales, operating profit and earnings per share for the 6 months ended 30 June 2002. Turnover grew by 55 % to €319.1m from €206.4m reflecting the impact of cancelled sporting events in the first half of 2001 due to the foot and mouth crisis along with solid underlying growth. Operating profits increased by 127% to €9.1m from €4.0m, driven by the turnover growth and good gross margins in the Betting Offices and On-line divisions. The results and operations are discussed in more detail in the following pages of the interim report.

The number of our Betting Offices in Ireland continues to grow with three new outlets opened during the period whilst we have commenced a process to create a Betting Office estate in the UK. Telephone betting continues to show strong growth in Ireland while its roll out in the UK is generating significant turnover growth. We are delighted with the continued development

of our On-line betting, which has shown continued turnover growth through the period with a consequent improvement in performance. We remain confident that this business will meet its profit objective of breakeven in 2003.

During the period the bookmaking industry reached agreement with the British Horseracing Board on the pricing for pre-race data. Given the cost we have had no choice but to pass this on to our customers, which in my view, is an unfair burden. Despite charging the 1% this will not cover the cost to Paddy Power of the additional charges paid to the British Horseracing Board. In Ireland reduced betting taxes came into effect from 1 May 2002, which is a far-seeing move by the Minister for Finance, Charlie McCreevy TD, which will stimulate the industry and increase employment. In addition, the positive response from the UK Government on the Budd report augurs well for the medium term growth of our UK Betting Offices. However, the continuation of

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the anti-competitive demand test for the next two to three years will limit the pace of organic growth in the UK.

The World Cup gave us a tremendous opportunity to show the unique differences between Paddy Power and other bookmakers, especially in the UK.

I am delighted to take up the position of Chairman and hope I can do as good a job as John Corcoran has done in guiding and giving long-term vision to Paddy Power over the past 15 years. Paddy Power would not be what it is today without his long-term vision, drive and practical team building skills. I am sure that the excellent team at Paddy Power, under the new leadership of John O'Reilly, Chief Executive, and Ross Ivers, Deputy Chief Executive and Finance Director, will continue to strengthen your Company.

The Board has decided to pay an interim dividend of 3.4 cent per share on 12 August

2002 to shareholders on the register at the close of business on 2 August 2002. This is an increase of 100% and reflects your Board's views of the financial strength of the Company.

We remain positive about the prospects for Paddy Power plc and look forward to being able to report continued growth at the full year.



Stewart Kenny  
**Chairman**

22 July 2002