29 August 2012

Paddy Power plc

2012 Interim Results Announcement

Paddy Power plc ('the Group') today announces interim results for the six months ended 30 June 2012 ('the period').

Group Highlights:

- Profit before tax up 21% to €68.7m and diluted EPS up 25% to 121.5 cent, despite some adverse sports results since our May trading update;
- Interim dividend increased by 30% to 39.0 cent per share;
- Net revenue growth of 29% in constant currency with double-digit growth in every division;
- Four new online ventures with start-up losses of €6.3m in the period;
- Strong balance sheet with net cash of €186m.

Online Highlights:

- Accelerated growth in online scale, new customers and new business investment: customer acquisition up 50%, active customers up 41% to 1.2m, net revenue up 41% to €191m and operating profit up 7% to €48.5m:
    - Strong *paddypower.com* growth: customer acquisition up 48%, active customers up 42% to 1.0m and net revenue up 32% in constant currency to €128m. Operating profit up 15% before start-up losses on four new ventures;
    - Significant growth in Australia following investment last year: customer acquisition up 73%, online active customers up 37%, stakes up 24% and net revenue up 42% in constant currency. Operating profit up 35% to €13.2m;
- Leading mobile market share: mobile net revenue up 239% in constant currency to €53m with 54% of active sportsbook customers transacting via mobile in June;
- Successful entry into the Italian online market in May achieving a 4% share of the online sports betting market in the first full month of operation;
- New mobile and tablet led casino product and brand (*Roller*), a sports betting based social game (*BetDash*) and Cayetano developed gaming product all to start contributing revenue in the second half of the year.

Retail Highlights:

- UK Retail like-for-like sportsbook stakes up 12% and machine gaming net revenue up 5% in constant currency. Operating profit up 61% to €7.6m, with 23 shops opened in the year to date;
- Irish Retail operating profit up 79% to €9.0m, driven by the normalisation of sports results. Like-for-like stakes down 3%.

Commenting on the results, Patrick Kennedy, Chief Executive, Paddy Power plc, said:

"This has been a very strong first half for Paddy Power. Revenue growth in our existing businesses has accelerated with a 29% increase and each of the divisions achieving double digit growth. We strongly promoted our brand, products and Money-Back Specials during Euro 2012. This contributed to a 50% increase in online customer acquisition for the half year. We've also been busy on the development front with sustained investment, a successful launch into the Italian online market and three further new revenue streams set to contribute in the second half of the year. With our Online and Retail divisions both continuing to deliver substantial growth and our expansion plans progressing, we are confident in the Group's prospects for the rest of the year and beyond."

ENDS
29 August 2012

Issued on behalf of Paddy Power plc by Drury.

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Analyst Briefing:

The Company will host an analyst presentation at 9:00am this morning at the Merrion Hotel, Upper Merrion St, Dublin 2. A conference call facility will also be available. To participate in the conference call please dial 01296 480 100 or 0800 783 0906 from the UK, (01) 242 1074 from Ireland, +1 718 3541 175 from the USA and +44 1296 480 100 from elsewhere. The passcode is 709 652.

A presentation replay facility will be available for 21 days. To listen to the replay, callers from the UK should dial 0207 136 9233 or 0800 032 9687, and all other callers should dial +44 207 136 9233. The passcode is 1100 9579.

Interim Financial Highlights for the Six Months Ended 30 June 2012 ('the period')

	Six months ended 30 June 2012 (unaudited) €m	Six months ended 30 June 2011 (unaudited) *Restated*[1] €m	**% Change**	**% Change in Constant Currency ('CC')**
Amounts staked by customers[2]				
Online (ex Australia)	**1,050**	771	**+36%**	**+31%**
Online Australia[3]	**763**	642	**+19%**	**+10%**
Irish Retail	**474**	483	**(2%)**	**(2%)**
UK Retail	**257**	177	**+45%**	**+37%**
Telephone	**196**	152	**+29%**	**+25%**
Total amounts staked	**2,741**	2,225	**+23%**	**+18%**
Net revenue				
Online (ex Australia)	**127.9**	93.8	**+36%**	**+32%**
Online Australia	**67.2**	47.0	**+43%**	**+32%**
Irish Retail	**57.0**	50.6	**+13%**	**+13%**
UK Retail	**47.8**	32.5	**+47%**	**+39%**
Telephone	**11.4**	8.5	**+34%**	**+30%**
Total net revenue	**311.2**	232.5	**+34%**	**+29%**
Operating profit				
Online (ex Australia)[4]	**35.9**	36.5	**(2%)**	**(6%)**
Online Australia	**13.2**	9.8	**+35%**	**+24%**
Irish Retail	**9.0**	5.1	**+79%**	**+85%**
UK Retail	**7.6**	4.7	**+61%**	**+48%**
Telephone	**1.3**	0.2	**+550%**	**+341%**
Total operating profit	**67.1**	56.2	**+19%**	**+13%**
Diluted earnings per share	**121.5c**	97.1c	**+25%**	**n/a**

Note 1 For consistency with online industry practice, the Group started deducting free bets, promotions and bonuses from gross win and reporting the resulting net revenue amount from 2011. Profit is not affected, just the classification of costs. The first half of 2011 has been restated on this basis.

Note 2 Amounts staked by customers represents amounts received in respect of bets placed on sporting and other events that occurred during the period and net winnings, commission income and fee income earned on gaming and other activities. Net revenue (or 'Income') represents the net gain on 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, financial spread betting and business-to-business services. The costs of customer promotions and bonuses are deducted when arriving at net revenue.

Note 3 Online Australia also includes legacy telephone operations accounting for less than 5% of its gross and operating profit in H1'12.

Note 4 Online (ex Australia) includes start up losses of €6.3m on four new online ventures in H1'12 (H1'11: €0.3m).

INTERIM STATEMENT

Introduction

Group Highlights:

- Profit before tax up 21% to €68.7m and diluted EPS up 25% to 121.5 cent, despite some adverse sports results since our May trading update;
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- Successful entry into the Italian online market in May achieving a 4% share of the online sports betting market in the first full month of operation;
- New mobile and tablet led casino product and brand (*Roller*), a sports betting based social game (*BetDash*) and Cayetano developed gaming product all to start contributing revenue in the second half of the year.

Retail Highlights:

- UK Retail like-for-like sportsbook stakes up 12% and machine gaming net revenue up 5% in constant currency. Operating profit up 61% to €7.6m, with 23 shops opened in the year to date;
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Sporting Results, Trading and Brand

After our last trading update in May, we took a bit of a drubbing from an accumulation of adverse sports results in the balance of that month. To tell the truth, we were about as successful as a Tom Cruise marriage. However such short term volatility is normal in bookmaking and we shouldn't complain given sports results for the first half of the year overall were favourable relative to our normal expectations and to last year.

This positive outturn was despite our largest ever level of Money-Back Specials – Paddy Power customers were refunded €5.6m from just the four 'highlights' of Sprinter Sacre winning the Arkle at Cheltenham, Chelsea lifting the Champions' League trophy, Rooney scoring for England versus Ukraine and England versus Italy going to penalties. In total, eight Money-Back Specials were triggered on Euro 2012 generating refunds of €2.1m for our customers.

Not surprisingly, punters love these kinds of offers so their promotion fitted perfectly with our "We Hear You" brand campaign, which inspired customers to share more ideas with us. We got dropped into a little bit of hot water from some of our responses, which included cross-dressing at Ladies' Day, Chav tranquilizing vets at Cheltenham and a Paddy Power jockey mounting the 110 metre long, 3,000 year old Uffington White Horse.

Further conversations with customers during Euro 2012 saw us react to UEFA's banning of vuvuzelas by building a giant working 'vuvutruck' to stick it to the fun police (we felt the ban on the annoying, incessant droning noise was especially ironic given Mark Lawrenson was allowed to commentate on the entire competition with impunity!). We also erected 'Roy the Redeemer', a 100ft high statute modelled on Rio de Janeiro's Christ the Redeemer with England manager Roy Hodgson's face, to divinely inspire the squad. But the real mischief arose when the Denmark and Arsenal striker, Nicklas Bendtner, revealed the Paddy Power Lucky Pants he was wearing in his goal celebration after scoring the equaliser versus Portugal. The story featured on over 2,000 online news sites and made the Lucky Pants the eighth biggest news story in the world that day on Twitter. Not even the most money-hungry WAG could have been as delighted as we were to see Bendtner's jocks!

Every two years a major football tournament presents a great opportunity to showcase the Paddy Power offer, which we fully exploited during Euro 2012. Independent research indicates that we dominated consumer conversations during the tournament, reinforcing our substantial lead in social media. Since January, we have increased our Facebook fans by 445% to 251,000, our Twitter followers by 308% to 133,000 and our YouTube views by 186% to 13 million. Our novel approach of using social media for something other than playing Farmville is clearly paying dividends! We also generated stakes of €78m on Euro 2012 (€70m in the period) and gross win of €7.6m (€6.1m in the period), albeit the operating profit impact of the tournament in the first half of the year would have been marginal given the investment in marketing and substitution. This approach pays back strongly over time though, as we benefit from the increased distinction of the Paddy Power brand and the 50% increase in online customer acquisition in the period.

ONLINE

€m	H1 2012	H1 2011	% Change	% Change in Constant Currency ('CC')
Sportsbook net revenue	139.4	95.5	+46%	+39%
Gaming & other net revenue	51.7	39.5	+31%	+26%
Total net revenue	**191.0**	**135.1**	**+41%**	**+35%**
Gross profit	159.1	114.5	+39%	+33%
Operating costs	(110.7)	(69.2)	+60%	+54%
Operating profit	**48.5**	**45.3**	**+7%**	**+1%**
% of Group operating profit	72%	81%		
Active customers	**1,173,185**	**833,347**	**+41%**	

(Active customers are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers)

Online profits increased by €3.2m in the period to €48.5m or approximately three quarters of Group profits. Strong international growth in recent years resulted in approximately 85% of online customers (and 71% of overall Group operating profit) coming from outside Ireland in the period.

The scale of our online activities continues to grow dramatically. Active customers of 1.2 million were up 41% versus the equivalent period in 2011 and double the equivalent period in 2010, all via organic growth, solely in legal regulated markets. Online net revenue of €191m included an industry-leading 28% or €53m from mobile, an increase of 239% in constant currency compared to the equivalent period last year.

As planned, we have continued to invest aggressively in order to support and drive this growth, and position Paddy Power for further expansion. Our entry into the Italian online market, plus investments in a new mobile casino brand and product (*Roller*), a sports betting based social game *(BetDash)* and Cayetano gaming development, added €5.0m to online operating costs versus the first half of last year. These four initiatives contributed either nil or negative net revenue in the period (due to sign-up promotions and adverse sports results) but are expected to all contribute net revenue in the second half of the year.

Excluding this amount, online operating costs increased, in constant currency, by 47%. This is in line with 'top line' growth, allowing for the increase in marketing related to Euro 2012 and once-off legal costs in Australia. In our existing businesses, the investment was across operations, technology, brand, product and people – an approach that has driven our growth for many years – and included:

- An upgraded technology infrastructure to significantly increase availability, resilience and capacity for growth;
- Investing in new media for ongoing growth as consumers' media consumption shifts to social, online and mobile channels;
- Expansion in betting markets, betting events and gaming content, for both online and mobile;
- An increase of 336 or 69% in online and technology headcount at June 2012 as compared to June 2011.

ONLINE DIVISION (Excluding Australia)

€m	H1 2012	H1 2011	% Change	% Change in CC
Amounts staked	1,050	771	+36%	+31%
Sportsbook net revenue	76.3	54.3	+40%	+36%
Sportsbook gross win %	*8.4%*	*7.9%*		
Gaming & other net revenue	51.7	39.5	+31%	+26%
Total net revenue	**127.9**	**93.8**	**+36%**	**+32%**
Gross profit	109.9	82.2	+34%	+30%
Operating costs	(74.0)	(45.7)	+62%	+59%
Operating profit	**35.9**	**36.5**	**(2%)**	**(6%)**

Underlying profit for the Online Division (ex Australia) was up 15%, although incremental operating losses of €6.0m arising in Italy, *Roller*, *Betdash* and Cayetano resulted in €0.6m lower operating profit. Customer acquisition was up 48% and active customers were up 42% to 1.0 million, further building upon the 48% and 41% growth achieved in the equivalent periods in 2011 and 2010 respectively, despite the much higher base.

Our organic entry into the Italian online market went live on schedule in mid-May with sports betting and we are happy with progress at this very early stage having secured approximately 4% of the online sports betting market by turnover in the first full month of operation. This has been driven by a strong product offering, brand activity tailored to the Italian market and attractive value for customers. We have positioned Paddy Power in the market as the leading innovator for betting product, for mobile, for social media and for customer service. Marketing activity was stepped up last week with the launch of our first national TV advertising campaign. We are currently progressing casino, bingo and poker product for the Italian market. The opportunity in Italy has become more attractive since our launch with the announcement that slot games will be permitted from December and the range of sports betting product that is allowed will be extended.

In terms of other new business development, *BetDash* went live this month and we expect to launch shortly a new casino product aimed specifically at the fast growing UK tablet and smart phone gaming market, under a second brand, *Roller*. At Cayetano, the Bulgarian based games developer acquired last November, we have increased the headcount from 32 to 57 since its acquisition. An initial four games have gone live in the second half of the year so far with 18 more in the pipeline for later this year. We also successfully secured a Preliminary Finding of Suitability for Paddy Power from the Nevada Gaming Commission in July.

Online Channel Active Customers	**H1 2012**	**H1 2011**	**% Change**
UK	798,139	542,416	+47%
Ireland and Rest Of World	198,469	161,625	+23%
Total	**996,608**	**704,041**	**+42%**

Online Customers Product Usage	**H1 2012**	**H1 2011**	**% Change**
Sportsbook only	631,958	421,169	+50%
Gaming only	90,233	85,702	+5%
Multi product customers	274,417	197,170	+39%
Total	**996,608**	**704,041**	**+42%**

(Active customers are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers)

(A) Online Sportsbook

The amounts staked on the sportsbook increased by 31% in constant currency to €994m. Within this, bet volumes grew 46% to 69.5m while the average stake per bet decreased by 10% in constant currency to €14.30. The reduction in average stake per bet is due to a combination of factors including the significant growth in active customers and the continued challenging economic conditions. Sportsbook net revenue increased by 36% in constant currency.

We continue to use increased scale to enhance our product, and the fact that we hold the number one position in the mobile betting market is a prime example of that innovation and speed to market. During the period, we further improved our mobile product with easier to use racing pages with unique *Racing Post* content, increased prominence for Money-Back Specials and other promotions, and bespoke apps for both Cheltenham and Euro 2012. Mobile turnover increased by 123% in constant currency to €365m, with 55% of sportsbook customers transacting with us via mobile in June and generating 41% of sportsbook turnover.

Our sportsbook product also benefitted from new football 'my team' pages, expanded bet options on football, cricket, snooker and basketball from new mathematical models and an almost doubling in the tennis matches we offer for betting-in-play to some 2,500 per month. Strong bookmaking risk management capabilities, an attractive business mix and good product promotion, have seen us once again achieve a leading online gross win percentage, in both *paddypower.com* and Australia, notwithstanding the attractive value we offered.

(B) Online Gaming & B2B

Gaming and other revenue increased by 26% in constant currency to €52m driven by strong growth in Games, Casino, Bingo and B2B. As a result, we once again increased our market share in the UK, where we remain under represented in comparison with our sportsbook position.

Mobile continued its strong growth trajectory with mobile Games revenue as a percentage of total Games revenue reaching 20% in June, as compared to 13% last December and less than 1% in January 2011. Mobile Casino has shown even more rapid penetration, reaching 19% of Casino revenue in June, immediately after its launch in May. Both products are accessible from our sportsbook mobile app, which allows us to leverage that number one market position to grow mobile gaming. This take up is also encouraging for the additional mobile Casino product we will launch, which will become available under *paddypower.com*, as well as the new *Roller* brand.

Within Poker, Playtech will introduce a new iPoker network policy later this year which should offer a better playing experience for our customers by segregating operators' players on the network into two groups based on a network performance scoring mechanism.

Our B2B contract with British Columbia Lottery Corporation ('BCLC') in Canada launched on schedule in July and the legislative change expected later in the year to allow bets on 'single' events (not just 'multiples') should boost revenues. In July, our B2B partner in France, PMU, reported 76% growth in its online sports turnover in the first half of 2012, as compared to overall market growth of 21% (according to the regulator, ARJEL). PMU also reported over €10m of stakes on Euro 2012, giving it a market share for the tournament of 33%, as compared to the near 20% market share PMU reported in January 2012.

ONLINE AUSTRALIA DIVISION

€m	H1 2012	H1 2011	% Change	% Change in CC
Amounts staked	763	642	+19%	+10%
Net revenue	**67.2**	**47.0**	**+43%**	**+32%**
Sportsbook gross win %	*9.1%*	*7.4%*		
Gross profit	51.8	35.8	+45%	+34%
Operating costs	(38.6)	(26.0)	+48%	+37%
Operating profit	**13.2**	**9.8**	**+35%**	**+24%**
Active customers	178,463	130,896	+36%	

(Active customers are defined as customers who have deposited real money and have bet in the reporting period)
(The division also includes legacy telephone operations accounting for less than 5% of gross and operating profit in H1 2012)

During the period, the Australian Division generated strong profit growth of 35% to €13.2m, benefitting from investment during 2011 and in the period, including:

- The migration of Sportsbet and IAS to the same technology platform as paddypower.com paving the way for the rollout of more betting markets, mobile product and streaming;
- The implementation of improved customer analytics, acquisition and retention, social media and online technologies;
- Increased headcount, including opening an office in Sydney to access an expanded pool of talent and support a focus on the New South Wales market;
- Structural improvements to the expected normal gross win percentage by optimising risk management, and the business and customer mix.

In constant currency, online turnover grew by 24% and online net revenue by 42%. Online customer acquisition was up 73% and active customers were up 37%, with growth of 43% in active customers of our mass market brand, *sportsbet.com.au*. In constant currency, mobile turnover increased 17-fold to €136m or 21% of online stakes, with 51% of our online customers transacting with us via mobile in June.

Including legacy telephone operations, total net revenue was up 32% in constant currency to €67m. The sportsbook gross win percentage increased markedly to 9.1% benefitting from both structural improvements and favourable sports results.

As a result of the decision of the High Court in March to allow Racing New South Wales' turnover based product fees, we expect, as previously publicised, some upward pressure on the product fees paid to other racing and sporting bodies in future periods. However, the impact of higher product fees is more severe on lower margin operators, which suggests some possible market shares gains for us to mitigate the impact.

The Australian Department of Broadband, Communications and the Digital Economy published an Interim Report of its review of the 2001 Interactive Gambling Act in May. Its recommendations included the regulation of online betting-in-running, new responsible gambling measures, a five year trial of online tournament poker and increased enforcement against unlicensed offshore operators. We await the final report in the coming months and the decision of the Government as to how it will respond, but have been disappointed with some of the political reaction which seems likely to lead to the continuation of an ineffective policy of prohibition rather than the responsible regulation of an on-shore industry to protect Australian consumers, jobs and tax revenues.

RETAIL

Our retail businesses in Ireland and the UK are uniquely well positioned in their respective markets and delivered a strong performance in the period with their combined profits up €6.9m or 70%. The benefits of improved sports results, new openings and product enhancements more than offset the challenges from economic conditions, competition from online and weather-related racing cancellations.

Both Irish and UK Retail experienced an improvement in their gross win percentage compared to the equivalent period last year, with Irish Retail's up 1.7% to 12.2% and UK Retail's up 0.3% to 10.8%, as compared to a normal expected range of 11% to 13%. The improvement in Irish Retail was more marked due to a complete reversal of fortunes for Irish trained horses at Cheltenham this year versus last. That Cheltenham rebound was less significant for UK Retail which also experienced less favourable results in Euro 2012.

We remain the only major bookmaker in the UK to offer the same odds over-the-counter as we offer online, as well as our January Sale, Money-Back Specials and other great offers such as paying '5 places' on the Grand National. We believe this is a more sustainable approach and contributed to our 92% higher sports betting stakes per shop in the UK than the average of our quoted competitors in the period.

Our product offering continues to lead the retail market as we leverage our higher turnover per unit to deliver the best invested shops with the best product. We lead the market in Self Service Betting Terminals ('SSBTs') with a machine in all our shops in Great Britain for over a year now, and more betting markets and an enhanced interface coming soon. For gaming machines, we completed trials of a loyalty programme and different cabinet bays during the period and will implement the findings this year. We have also substantially completed our roll-out of expanded virtual product and better screen gantries which, for example, exploit our differentiating provision of Sky Sports in every shop. These investments, combined with the memorable dance routine we saw on the Paddy Power edition of Channel 4's Undercover Boss in July, makes us the most attractive proposition for betting on the High Street.

The outlook for both estates is further enhanced by the potential for market share gains. In the UK, we opened 20 shops in the period, putting us well on track for our expectation of 35-40 new openings annually, based on the current environment.

IRISH RETAIL DIVISION

€m	**H1 2012**	**H1 2011**	**% Change**
Amounts staked	474	483	(2%)
Net revenue	**57.0**	**50.6**	**+13%**
Gross win %	*12.2%*	*10.5%*	
Gross profit	51.9	45.7	+14%
Operating costs	(42.8)	(40.6)	+5%
Operating profit	**9.0**	**5.1**	**+79%**
Shops at period end	211	209	+1%

Irish Retail operating profits rebounded strongly, up 79% or €4.0m in the period, with the return to a more normal sportsbook gross win percentage. We opened one new shop in the period. Excluding the impact of new shops, like-for-like amounts staked were down 3%, net revenue was up 12% and operating costs increased by 4% in constant currency. The reduction in amounts staked was driven entirely by a fall in average stake per slip of 7% to €15.79 with a 5% increase in like-for-like bet volumes.

We welcome the proposals within the Betting (Amendment) Bill 2012 which will give us the option of opening our shops until 10pm during September to April, irrespective of whether there is an evening Irish race meeting.

UK RETAIL DIVISION

€m	H1 2012	H1 2011	% Change	% Change in CC
Amounts staked	257	177	+45%	+37%
Sportsbook net revenue	25.2	17.0	+49%	+41%
Sportsbook gross win %	*10.8%*	*10.5%*		
Machine gaming net revenue	22.5	15.6	+45%	+37%
Total net revenue	**47.8**	**32.5**	**+47%**	**+39%**
Gross profit	40.1	27.8	+44%	+36%
Operating costs	(32.5)	(23.1)	+41%	+34%
Operating profit	**7.6**	**4.7**	**+61%**	**+48%**
Shops at period end	185	142	+30%	

(Machine gaming net revenue above and throughout this statement excludes VAT at 20%; 'Sportsbook' includes over-the-counter and SSBTs)

UK Retail profits continue to grow strongly with an increase of 61% or €2.9m to €7.6m in the period driven by both increased profitability from our existing estate and new shop openings.

In constant currency, turnover grew 37% to €257m, while net revenue increased by 39%. Like-for-like net revenue grew 10% in constant currency, which comprised machine gaming net revenue growth of 5% and sportsbook net revenue growth of 15% on like-for-like sportsbook turnover up 12%. Like-for-like bet volumes were up 10%, while the average sportsbook stake per bet increased by 3% in constant currency to €16.75. The average gross win per machine per week including VAT was £1,230, an increase of 3% compared to the first six months of 2011.

Operating costs grew 34% in constant currency driven by a 31% increase in average shop numbers. Like-for-like shop operating costs were flat in constant currency.

We opened 20 new shops in the period at an average capital cost per unit of €401,000 (£327,000) including lease premia and the costs of acquisition and refit for acquired units. The average cost per unit for organic openings was €307,000 (£255,000). EBITDA per shop pre central costs averaged €88,000 (£73,000) in the period, an increase of 6% compared to the equivalent period last year in constant currency.

As expected, the replacement of the existing VAT and Amusement Machine License Duty regime for machine taxation with a Machine Gaming Duty ('MGD') on net revenue, effective from February 2013, was announced in March. The new regime and the 20% rate of MGD now announced would have reduced operating profit by €1.6m in 2011.

TELEPHONE DIVISION

€m	H1 2012	H1 2011	% Change	% Change in CC
Amounts staked	196	152	+29%	+25%
Net revenue	**11.4**	**8.5**	**+34%**	**+30%**
Gross win %	*6.2%*	*6.2%*		
Gross profit	11.2	8.4	+33%	+30%
Operating costs	(9.9)	(8.2)	+20%	+18%
Operating profit	**1.3**	**0.2**	**+550%**	**+341%**

Our telephone channel grew its turnover strongly in the UK from both regular and larger staking customers, more than offsetting the impact of competition from the internet and the downturn in Ireland. In constant currency, amounts staked increased by 25%, notwithstanding a small reduction in active customers due to less emphasis on new customer acquisition. The average stake per bet increased by 19% in constant currency to €60.25.

While the gross win percentage was broadly comparable with last year, lower free bet deductions boosted net revenue growth to 30% in constant currency. Operating costs increased by 18% including the impact of higher bet volumes, extended 24x7 opening hours and the promotion of a new SMS text betting service.

Telephone Channel Active Customers	H1 2012	H1 2011	% Change
UK	38,626	39,251	(2%)
Ireland and Rest Of World	18,659	19,530	(4%)
Total	**57,285**	**58,781**	**(3%)**

(Active customers are defined as those who have deposited real money and have bet in the reporting period)

Taxation

The effective corporation tax rate for the period was 13.0% as compared to an underlying rate of 13.5% in 2011.

In March, the UK Government confirmed its intention to change the tax regime on remote gambling from a 'point of supply' tax on operators based in the UK, for which a 15% rate currently applies, to a 'point of consumption' tax on all remote gambling operators supplying UK customers. It indicated that it currently expects to implement the new regime from December 2014, however the exact timing and rate will be reviewed as part of an ongoing consultation process.

We continue to engage with the UK Government to highlight the consumer, tax and employment protection risks these proposals present. In particular, the fundamental difficulties that other countries have encountered in attempting to enforce online betting taxes demonstrate that high tax regimes simply drive consumers to 'rogue operators' who are more price competitive, as they neither pay the betting tax nor observe player protection and other regulations. As a result, the original policy objectives become frustrated and employment levels are adversely impacted. In this regard, we note that the Culture, Media and Sport Committee reported in July that "the Treasury still needs to work with industry stakeholders to establish the correct level for online gambling taxation, taking into account the need to encourage companies to accept UK regulation and taxation and to discourage the formation of a grey market." Depending on the tax rate, a new tax could add significantly to our costs, although opportunities may exist to mitigate the possible impact through potential market share gains from weaker operators forced to exit or compromise their offer, and by continued profitable growth in existing and new markets.

In July, the Irish Government published the Betting (Amendment) Bill 2012 which will introduce a licensing regime for remote bookmakers and betting exchanges supplying Irish consumers. As expected, this will facilitate the extension of the 1% tax on Irish retail stakes to online and telephone sportsbooks in respect of bets taken from customers in Ireland. Such a tax would have cost the Group €6m in 2011.

Cashflows, Financial Position and Foreign Exchange

Profit growth at Paddy Power converts strongly into increased cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex of €8m) in the period was €97m or 163% of earnings after tax. This cash conversion was boosted by the period end date falling during a major football championship when customer balances are higher. Estimated enhancement capex of €15m mainly related to new shop openings and technology spending for product improvements and new businesses. At the end of the period, the Group had net cash of €186m, including customer balances of €58m.

Sterling and Australian Dollar denominated operating profits were approximately £92m and AUD35m respectively last year. Accordingly, Group operating profit year-on-year can be positively impacted by a weaker Euro versus these currencies and adversely impacted by a stronger Euro versus these currencies. In order to reduce this volatility, the Group has sold forward the majority of its expected second half sterling denominated operating profit into Euro at an average rate of 0.82. The Group has similarly sold £13m for settlement in 2013 at an average rate of 0.80.

Dividend

The Board has decided to pay an interim dividend of 39.0 cent per share, a 30% increase compared to last year. The total expected interim dividend is €19.1m payable on 28 September to shareholders on the register at the close of business on 7 September.

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 40 and 41 of the Group's 2011 Annual Report. The most relevant risks and uncertainties for the remainder of the year are those that could arise from adverse developments in the areas below:

- Sporting results over the short term and/or the performance of the Group in managing bookmaking risk affecting the achievement of expected gross win margins;
- Disruption to the sporting calendar or broadcasting of major sporting events;
- The ability of the Group to enter new markets, launch new products or introduce new systems in a successful, cost effective and/or timely manner;
- The intensity of competition in the Group's markets and the Group's ability to successfully compete;
- Economic, technological, consumer behaviour and other macro factors affecting demand for the Group's products;
- The regulatory or legislative environment, interpretation and practices applicable to the Group's activities and related litigation and reputational risks;
- The ability of the Group to avoid disruption to its systems and protect customer and other key data;
- Changes in tax law, interpretation or practice, or payment obligations to racing and sporting bodies;
- Relationships with, and performance by key suppliers and performance for key B2B customers;
- The ability of the Group to attract and retain key employees;
- Societal, media or political sentiment towards the Group, its brands and its businesses;
- Changes in the exchange rates between the euro and the pound sterling and Australian dollar.

Outlook

The second half of the year has started well. At the same time, the Group continues to invest at an increased rate for expansion.

The Board remains confident of the Group's prospects in the balance of 2012 and beyond.

Nigel Northridge
Chairman

28 August 2012

Directors' Responsibility Statement in respect of the Half Yearly Financial Report
For the six months ended 30 June 2012

Each of the directors, whose names and functions are listed in the 2011 Annual Report, confirm our responsibility for preparing the half yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator 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 comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity and related Notes 1 to 16 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 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

28 August 2012

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2012

	Note	**Six months ended 30 June 2012 (unaudited)** €'000	Six months ended 30 June 2011 (unaudited) *Restated (Note 2)* €'000
Amounts staked by customers		**2,740,705**	2,225,477
Continuing operations			
Income		**311,239**	232,462
Direct betting costs	5	**(46,348)**	(32,477)
Gross profit		**264,891**	199,985
Employee expenses		**(94,415)**	(67,103)
Property expenses		**(21,146)**	(16,684)
Marketing expenses		**(35,198)**	(20,203)
Technology and communications expenses		**(18,169)**	(15,047)
Depreciation and amortisation		**(14,794)**	(11,823)
Other expenses, net		**(14,078)**	(12,894)
Total operating expenses		**(197,800)**	(143,754)
Operating profit		**67,091**	56,231
Financial income	6	**1,683**	1,004
Financial expense	6	**(106)**	(472)
Profit before tax		**68,668**	56,763
Income tax expense	7	**(8,937)**	(8,139)
Profit for the period		**59,731**	48,624
Attributable to:			
Equity holders of the Company		**59,731**	47,375
Non-controlling interest		**-**	1,249
		59,731	48,624
Earnings per share			
Basic	8	**€1.240**	€0.999
Diluted	8	**€1.215**	€0.971

Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2012

	Note	**Six months ended 30 June 2012 (unaudited) €'000**	Six months ended 30 June 2011 (unaudited) €'000
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	6	**3,921**	(3,152)
Effective portion of changes in fair value of cash flow hedges	6	**(1,675)**	-
Deferred tax on cash flow hedges		**209**	-
Deferred tax on share-based payments		**415**	(276)
Other comprehensive income recognised directly in equity		**2,870**	(3,428)
Profit for the period		**59,731**	48,624
Total comprehensive income for the period		**62,601**	45,196
Attributable to:			
Equity holders of the Company		**62,601**	44,445
Non-controlling interest		**-**	751
Total comprehensive income for the period		**62,601**	45,196

Condensed Consolidated Interim Statement of Financial Position
As at 30 June 2012

	Note	**30 June 2012 (unaudited) €'000**	30 June 2011 (unaudited) €'000	31 December 2011 (audited) €'000
Assets				
Property, plant and equipment		**101,011**	80,301	95,599
Intangible assets		**57,876**	54,204	51,000
Goodwill	9	**98,390**	75,251	93,607
Financial assets – restricted cash	11	**6,170**	2,262	6,409
Deferred tax assets		**4,617**	2,505	2,594
Trade and other receivables		**5,513**	-	6,735
Total non current assets		**273,577**	214,523	255,944
Trade and other receivables		**33,418**	19,658	31,165
Financial assets – restricted cash	11	**29,024**	16,422	18,149
Financial assets – deposits	11	**6,942**	-	-
Cash and cash equivalents	11	**143,413**	72,311	111,139
Total current assets		**212,797**	108,391	160,453
Total assets		**486,374**	322,914	416,397
Equity				
Issued share capital		**5,076**	5,042	5,072
Share premium		**38,604**	34,449	37,826
Treasury shares		**(34,177)**	(34,177)	(34,177)
Shares held by long term incentive plan trust		**(22,884)**	(23,774)	(33,397)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**33,914**	28,548	36,976
Retained earnings		**241,818**	158,257	218,086
Total equity – attributable to equity holders of the Company		**262,351**	168,345	230,386
Liabilities				
Trade and other payables		**161,345**	121,254	136,925
Derivative financial liabilities		**17,122**	8,821	9,715
Provisions		**483**	502	593
Borrowings		**-**	7	-
Current tax payable		**12,906**	5,506	11,408
Total current liabilities		**191,856**	136,090	158,641
Trade and other payables		**24,835**	9,668	20,347
Derivative financial liabilities		**509**	1	194
Provisions		**1,717**	1,632	1,649
Deferred tax liabilities		**5,106**	7,178	5,180
Total non current liabilities		**32,167**	18,479	27,370
Total liabilities		**224,023**	154,569	186,011
Total equity and liabilities		**486,374**	322,914	416,397

Condensed Consolidated Interim Statement of Cash Flows
For the six months ended 30 June 2012

	Note	**Six months ended 30 June 2012 (unaudited) €'000**	Six months ended 30 June 2011 (unaudited) €'000
Cash flows from operating activities			
Profit before tax		**68,668**	56,763
Financial income		**(1,683)**	(1,004)
Financial expense		**106**	472
Depreciation and amortisation		**14,794**	11,823
Employee equity settled share-based payments		**5,366**	6,805
Foreign currency exchange gain		**(1,148)**	(89)
Loss on disposal of property, plant and equipment and intangible assets		**121**	99
Other adjustments		**-**	568
Cash from operations before changes in working capital		**86,224**	75,437
Increase in trade and other receivables		**(249)**	(4,490)
Increase in trade and other payables and provisions		**30,533**	3,885
Cash generated from operations		**116,508**	74,832
Income taxes paid		**(8,987)**	(6,940)
Net cash from operating activities		**107,521**	67,892
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13,978)**	(13,024)
Purchase of intangible assets		**(8,842)**	(2,502)
Purchase of businesses, net of cash acquired	10	**(3,554)**	(211)
Payment of contingent deferred consideration	10	**(510)**	(50)
Proceeds from disposal of property, plant and equipment and intangible assets		**77**	45
Purchase of financial assets – deposits	11	**(6,997)**	-
Interest received		**1,660**	1,026
Net cash used in investing activities		**(32,144)**	(14,716)
Cash flows from financing activities			
Proceeds from the issue of new shares under option agreements		**782**	325
Purchase of shares by long term incentive plan trust		**(2,790)**	-
Purchase of non-controlling interest		**-**	(85,311)
Dividends paid	12	**(34,355)**	(24,340)
Movements in current and non current restricted cash balances		**(10,318)**	4,695
Repayment of non-controlling shareholder loans		**-**	(1,038)
Payment of dividends to non-controlling shareholders		**-**	(9,244)
Secured bank loan repayments		**-**	(2,197)
Finance lease repayments		**-**	(1,264)
Interest paid		**(71)**	(319)
Net cash used in financing activities		**(46,752)**	(118,693)
Net increase / (decrease) in cash and cash equivalents		**28,625**	(65,517)
Cash and cash equivalents at start of period		**111,139**	139,581
Foreign currency exchange gain / (loss) in cash and cash equivalents		**3,649**	(1,753)
Cash and cash equivalents at end of period	11	**143,413**	72,311

Condensed Consolidated Interim Statement of Changes in Equity
For the six months ended 30 June 2012

(unaudited)	*Number of ordinary shares in issue*	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Cash flow hedge reserve €'000	Retained earnings €'000	Total €'000
	Attributable to equity holders of the Company										
Balance at 1 January 2012	*50,725,021*	5,072	37,826	13,873	1,185	(34,177)	(33,397)	21,918	-	218,086	230,386
Total comprehensive income for the period											
Profit	-	-	-	-	-	-	-	-	-	59,731	59,731
Foreign exchange translation	-	-	-	3,921	-	-	-	-	-	-	3,921
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(1,675)	-	(1,675)
Deferred tax on cash flow hedges	-	-	-	-	-	-	-	-	209	-	209
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	415	415
Total comprehensive income for the period	-	-	-	3,921	-	-	-	-	(1,466)	60,146	62,601
Transactions with owners of the Company, recognised directly in equity											
Shares issued – exercise of share options (Note 13)	*40,023*	4	778	-	-	-	-	-	-	-	782
Own shares acquired by the long term incentive plan trust – 55,155 ordinary shares (Note 13)	-	-	-	-	-	-	(2,790)	-	-	-	(2,790)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	5,366	-	-	5,366
Equity-settled transactions – vestings	-	-	-	-	-	-	13,303	(10,735)	-	(2,207)	361
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	(148)	-	148	-
Dividends to shareholders (Note 12)	-	-	-	-	-	-	-	-	-	(34,355)	(34,355)
Total contributions by and distributions to owners of the Company	*40,023*	4	778	-	-	-	10,513	(5,517)	-	(36,414)	(30,636)
Balance at 30 June 2012	*50,765,044*	5,076	38,604	17,794	1,185	(34,177)	(22,884)	16,401	(1,466)	241,818	262,351

Condensed Consolidated Interim Statement of Changes in Equity (continued)

For the six months ended 30 June 2011

	Attributable to equity holders of the Company											
(unaudited)	***Number of ordinary shares in issue***	**Issued share capital €'000**	**Share premium €'000**	**Foreign exchange translation reserve €'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**	**Non-controlling interest €'000**	**Total equity €'000**
Balance at 1 January 2011	*49,954,114*	4,995	20,876	10,572	1,217	(34,177)	(33,890)	21,910	236,936	228,439	15,798	244,237
Total comprehensive income for the period												
Profit	-	-	-	-	-	-	-	-	47,375	47,375	1,249	48,624
Foreign exchange translation	-	-	-	(2,654)	-	-	-	-	-	(2,654)	(498)	(3,152)
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	(276)	(276)	-	(276)
Total comprehensive income for the period	-	-	-	(2,654)	-	-	-	-	47,099	44,445	751	45,196
Transactions with owners of the Company, recognised directly in equity												
Shares issued – exercise of share options (Note 13)	*12,580*	1	181	-	-	-	-	-	-	182	-	182
Shares issued – purchase of non-controlling interest (Note 13)	*455,535*	46	13,392	-	-	-	-	-	-	13,438	-	13,438
Purchase of non-controlling interest – Sportsbet	-	-	-	-	-	-	-	-	(100,883)	(100,883)	(7,271)	(108,154)
Discount on loans from non-controlling interest	-	-	-	(26)	21	-	-	-	5	-	-	-
Repayment of non-controlling interest loans	-	-	-	-	(53)	-	-	-	-	(53)	(34)	(87)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	6,805	-	6,805	-	6,805
Equity-settled transactions – vestings	-	-	-	-	-	-	10,116	(9,218)	(586)	312	-	312
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	(26)	26	-	-	-
Dividends to shareholders (Note 12)	-	-	-	-	-	-	-	-	(24,340)	(24,340)	(9,244)	(33,584)
Total contributions by and distributions to owners of the Company	*468,115*	47	13,573	(26)	(32)	-	10,116	(2,439)	(125,778)	(104,539)	(16,549)	(121,088)
Balance at 30 June 2011	*50,422,229*	5,042	34,449	7,892	1,185	(34,177)	(23,774)	19,471	158,257	168,345	-	168,345

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 2012 comprise the Company and its subsidiaries (together referred to as 'the Group'). The condensed consolidated interim financial statements are unaudited but have been reviewed by the auditor, whose report is set out on page 31.

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 2011, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU together with an unqualified audit report thereon under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies. They are available from the Company, from the website www.paddypowerplc.com and, when filed, from the Registrar of Companies.

The condensed consolidated interim financial statements were approved by the Board of Directors of Paddy Power plc on 28 August 2012.

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 and with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements are prepared on the historical cost basis except for betting transactions (which are recorded as derivative financial instruments), derivative financial instruments, contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of equity settled share-based payments). The condensed consolidated interim financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

The financial information contained in the condensed consolidated interim financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2011, except as set out below.

The Group has adopted the following accounting policies, standards, interpretations and amendments to existing standards during the period ended 30 June 2012:

<u>Non-derivative financial instruments</u>
Deposits represent term deposits with an original maturity of greater than three months. In accordance with IAS 7 'Statement of Cash Flows', these deposits do not qualify as a cash equivalent for the purposes of the statement of cash flows as the maturity is greater than three months from the date of acquisition.

<u>Derivative financial instruments including hedge accounting</u>
The Group uses derivative financial instruments, specifically forward foreign exchange contracts, to hedge its exposure to foreign currency exchange risks arising from operational activities (sterling denominated betting). The Group does not enter into speculative transactions.

Derivative financial instruments are measured at fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the market price at the balance sheet date.

Gains or losses on re-measurement to fair value are recognised immediately in the income statement except where derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivative financial instruments entered into by the Group are, for the purposes of hedge accounting, classified as cash flow hedges which hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a highly probable forecast transaction.

2. Basis of preparation and accounting policies (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80 to 125 percent.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecasted transaction that could affect profit or loss, the effective part of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the hedge reserve within equity. Any ineffective portion of changes in fair value is recognised in the income statement. The associated gains or losses that had previously been recognised in other comprehensive income are transferred to the income statement at the same time as the hedged item affects the profit or loss. Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, is terminated or exercised, or no longer qualifies for hedge accounting. If the hedged transaction is still expected to occur, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, with future changes in fair value recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is reclassified to the income statement in the period.

Amendments to existing standards

During the period, a number of amendments to accounting standards became effective. These have been considered by the directors and have not had a significant impact on the Group's consolidated financial statements.

Restatement of 30 June 2011 comparative financial information

In 2011, the Group reviewed its revenue recognition policy and the treatment of customer bonus schemes and other promotions. The changes do not impact the Group's reported operating profit, amounts reported in the statement of financial position or cash flows. The treatment of these items developed over the past few years and the Group revised its presentation of these items in line with current industry practice for comparability purposes. The Group recognises the fair value of additional customer promotions and bonuses as deductions from income rather than as operating expenses, as the Group believes that this conveys the underlying nature of the transaction. As a result of these changes, a number of lines within the consolidated income statement have been restated. Where adjustments have been made to comparative information in respect of the six months ended 30 June 2011 the relevant financial statement or note is headed up as '*Restated*'. These adjustments were fully reflected in the Group's 31 December 2011 Annual Report.

2. Basis of preparation and accounting policies (continued)

The impact of the changes, by reporting segment, on the major components of operating profit in respect of the six months ended 30 June 2011 are as follows:

	Online (ex Australia) €'000	Online Australia €'000	Irish Retail €'000	UK Retail €'000	Telephone €'000	Total Group €'000
Income						
As reported under previous accounting policies	101,063	47,738	50,976	32,747	9,460	241,984
Restatement – customer promotions and bonuses	(7,227)	(744)	(361)	(213)	(977)	(9,522)
As reported under new accounting policies	93,836	46,994	50,615	32,534	8,483	232,462
Direct betting costs (other direct betting costs)						
As reported under previous accounting policies	(12,379)	(11,166)	(4,935)	(4,701)	(59)	(33,240)
Restatement – customer promotions and bonuses	763	-	-	-	-	763
As reported under new accounting policies	(11,616)	(11,166)	(4,935)	(4,701)	(59)	(32,477)
Operating expenses (marketing expenses)						
As reported under previous accounting policies	(52,207)	(26,787)	(40,987)	(23,337)	(9,195)	(152,513)
Restatement – customer promotions and bonuses	6,464	744	361	213	977	8,759
As reported under new accounting policies	(45,743)	(26,043)	(40,626)	(23,124)	(8,218)	(143,754)
Impact on operating profit	-	-	-	-	-	-

3. Judgements and estimates

The preparation of interim financial statements in conformity with IFRSs 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 expenses. Actual results may differ from these estimates.

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 2011.

4. Operating segments

The Group's reportable segments are divisions that are managed separately, due to a combination of factors including method of service delivery (online, retail shops, telephone), geographical location and the different services provided.

(a) Reportable business segment information

The Group considers that its reportable segments are as follows:

- Online (ex Australia);
- Online Australia;
- Irish Retail;
- UK Retail; and
- Telephone.

The Online (ex Australia), Irish Retail, UK Retail and Telephone segments derive their revenues primarily from sports betting, gaming (gaming machines, casino, poker, games, bingo and financial spread betting) and business to business ('B2B') services. Online (ex Australia) services are delivered primarily through the internet, Telephone through the public telephony system and Irish and UK Retail through licensed bookmaking shop estates. The Online (ex Australia) and Telephone segments derive their revenues primarily from the UK and Ireland, the Irish Retail segment from retail outlets in the Republic of Ireland and UK Retail from retail outlets in Great Britain and Northern Ireland. The Online Australia segment earns its revenues from sports betting services provided to Australian customers using primarily the internet with a small proportion using the public telephony system.

4. Operating segments (continued)

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies set out in the Company's last annual financial statements in respect of the year ended 31 December 2011. Central operating expenses are allocated to reportable segments based on internal management allocation methodologies. Any expenses that are not directly allocated to reportable segments in internal management reports are shown in the reconciliation of reportable segments to Group totals. The Group does not allocate income tax expense or interest to reportable segments. Treasury management is centralised for the Online (ex Australia), Irish Retail, UK Retail and Telephone segments. The Online Australia segment manages its own treasury function. Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Reportable business segment information for the six months ended 30 June 2012:

	Online (ex Australia) €'000	**Online Australia €'000**	**Irish Retail €'000**	**UK Retail €'000**	**Telephone €'000**	**Total reportable segments €'000**
Income from external customers	**127,933**	**67,176**	**56,982**	**47,863**	**11,285**	**311,239**
Inter-segment trading	**-**	**-**	**(2)**	**(83)**	**85**	**-**
Total income	**127,933**	**67,176**	**56,980**	**47,780**	**11,370**	**311,239**
Direct betting costs	**(18,005)**	**(15,376)**	**(5,121)**	**(7,712)**	**(134)**	**(46,348)**
Gross profit	**109,928**	**51,800**	**51,859**	**40,068**	**11,236**	**264,891**
Depreciation and amortisation	**(4,037)**	**(3,433)**	**(3,768)**	**(3,070)**	**(486)**	**(14,794)**
Other operating expenses	**(69,975)**	**(35,146)**	**(39,048)**	**(29,424)**	**(9,413)**	**(183,006)**
Reportable segment profit	**35,916**	**13,221**	**9,043**	**7,574**	**1,337**	**67,091**

Reportable business segment information for the six months ended 30 June 2011:

	Online (ex Australia) *Restated* €'000	Online Australia *Restated* €'000	Irish Retail *Restated* €'000	UK Retail *Restated* €'000	Telephone *Restated* €'000	Total reportable segments *Restated* €'000
Income from external customers, being total income	93,836	46,994	50,615	32,534	8,483	232,462
Direct betting costs	(11,616)	(11,166)	(4,935)	(4,701)	(59)	(32,477)
Gross profit	82,220	35,828	45,680	27,833	8,424	199,985
Depreciation and amortisation	(2,140)	(2,358)	(4,185)	(2,690)	(450)	(11,823)
Other operating expenses	(43,603)	(23,685)	(36,441)	(20,434)	(7,768)	(131,931)
Reportable segment profit	36,477	9,785	5,054	4,709	206	56,231

Reconciliation of reportable segments to Group totals

	Six months ended 30 June 2012 €'000	Six months ended 30 June 2011 *Restated* €'000
Income		
Total income from reportable segments, being total Group income	**311,239**	232,462
Profit or loss		
Total profit from reportable segments	**67,091**	56,231
Unallocated amounts:		
Financial income – non-Online Australia (1)	**293**	282
Financial income – Online Australia	**1,390**	722
Financial expense – non-Online Australia (1)	**(106)**	(128)
Financial expense – Online Australia	**-**	(344)
Profit before tax	**68,668**	56,763

(1) The non-Online Australia segments comprise Online (ex Australia), Irish Retail, UK Retail and Telephone operating segments. Financial expense relating to this segment is primarily in respect of guarantee fees payable and the unwinding of discounts on provisions and other non current liabilities.

4. Operating segments (continued)

(b) Geographical segment information

The Group considers that its primary geographic segments are 'UK', 'Australia' and 'Ireland and rest of world'. 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. The Australia geographic segment consists primarily of online sports betting, plus a small proportion of telephone sports betting, from Australian customers. The Ireland and rest of world geographic segment is composed of the Irish Retail bookmaking business, online and telephone sports betting from Irish and rest of world customers, online gaming from Irish and rest of world customers and B2B services provided to rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

Group revenues by geographical segment are as follows:

Income

	Six months ended 30 June 2012	Six months ended 30 June 2011 *Restated*
	€'000	€'000
UK	**146,762**	102,105
Australia	**67,176**	46,994
Ireland and rest of world	**97,301**	83,363
Total	**311,239**	232,462

(a) Revenues are attributed to geographical location on the basis of the customer's location.
(b) Revenues from any single customer do not amount to ten per cent or more of the Group's revenues.

Non current assets (excluding financial assets and deferred tax assets balances) by geographical segment are as follows:

Non current assets

	30 June 2012	30 June 2011	31 December 2011
	€'000	€'000	€'000
UK	**96,522**	67,829	89,531
Australia	**94,724**	88,697	93,302
Ireland and rest of world	**71,544**	53,230	64,108
Total	**262,790**	209,756	246,941

Seasonality

The Group's sportsbook income is driven by a combination of the timing of sporting and other events and the Group's results derived from those events. Gaming and other income is not as dependent on the sporting calendar.

5. Direct betting costs

Direct betting costs comprise:

	Six months ended 30 June 2012	Six months ended 30 June 2011 *Restated*
	€'000	€'000
Betting taxes	**15,537**	12,158
Software supplier costs	**9,842**	7,663
Other direct betting costs	**20,969**	12,656
	46,348	32,477

Betting taxes comprise betting taxes levied on gross win, betting taxes levied on Irish Retail and Online Australia segment amounts staked and Goods and Services Tax on Online Australia segment gross win.

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

5. Direct betting costs (continued)

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, product and racefield fees payable to Australian state racing authorities, customer bad debt charges and other miscellaneous direct betting costs.

6. Financial income and expense

	Six months ended 30 June 2012 €'000	Six months ended 30 June 2011 €'000
Recognised in profit or loss:		
Financial income		
On financial assets at amortised cost:		
Interest income on short term bank deposits	**1,683**	1,004
	1,683	1,004
Financial expense		
On financial liabilities at amortised cost:		
Bank loans	**-**	270
Bank guarantees	**49**	64
Finance leases	**-**	66
Unwinding of the discount on provisions and other non current liabilities	**57**	72
	106	472
Recognised in other comprehensive income:		
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	**3,921**	(3,152)
Fair value movement on cash flow hedges	**(1,675)**	-
	2,246	(3,152)

7. Taxation

Income tax is accrued for the interim reporting period using management's best estimate of the weighted average 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 13.0% (six months ended 30 June 2011: 14.3%), which compares to the standard Irish corporation tax rate of 12.5%.

8. 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 2012	Six months ended 30 June 2011
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**59,731**	47,375
Denominator in respect of basic earnings per share (in '000s):		
Ordinary shares in issue at the beginning of the period	**50,725**	49,954
Adjustments for weighted average number of:		
- ordinary shares issued during the period	**16**	312
- ordinary shares held in treasury	**(1,734)**	(1,734)
- ordinary shares held by long term incentive plan trust	**(847)**	(1,121)
Weighted average number of ordinary shares in issue during the period	**48,160**	47,411
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Dilutive effect of share option schemes, sharesave scheme, shares held by long term incentive plan trust and share award schemes	**991**	1,354
Adjusted weighted average number of ordinary shares in issue during the period	**49,151**	48,765
Basic earnings per share	**€1.240**	€0.999
Diluted earnings per share	**€1.215**	€0.971

9. 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**	**Online (ex Australia) €'000**	**Online Australia €'000**	**Total €'000**
Balance at 1 January 2011	8,207	9,996	-	58,764	76,967
Arising on acquisitions during the year	-	1,201	13,303	-	14,504
Foreign currency translation adjustment	-	229	-	1,907	2,136
Balance at 31 December 2011	8,207	11,426	13,303	60,671	93,607
Arising on acquisitions during the period (Note 10)	**-**	**2,604**	**-**	**-**	**2,604**
Foreign currency translation adjustment	**-**	**291**	**-**	**1,888**	**2,179**
Balance at 30 June 2012	**8,207**	**14,321**	**13,303**	**62,559**	**98,390**

Goodwill on Irish Retail properties arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and the acquisition of a number of retail bookmaking shop properties in 2007, 2009 and 2010.

Goodwill on UK Retail properties arose from the acquisition of a number of retail bookmaking businesses and shop properties in 2004, 2008, 2010, 2011 and 2012.

The Online (ex Australia) segment goodwill amount arose from the acquisition by the Group in November 2011 of CT Networks Limited ('Cayetano'), a games developer based in the Isle of Man and Bulgaria. Cayetano develops games for the online and mobile gaming markets.

The Online Australia segment goodwill amount arose from the acquisition by the Group of an initial 51% interest in Sportsbet Pty Limited ('Sportsbet') and the acquisition of International All Sports Limited ('IAS') by Sportsbet, both in 2009.

The Group reviews the carrying value of goodwill for impairment semi-annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these cash generating units with their recoverable amounts (being the higher of value in use and fair value less costs to sell). Management performed such an impairment review at 30 June 2012 and, on the basis of this review, are satisfied that the carrying amount of the Group's goodwill at 30 June 2012 is not less than its recoverable amount.

10. Business combinations

Six months ended 30 June 2012

Shop property business acquisitions

In 2012, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain.

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

	Book values on acquisition €'000	**Provisional fair values 30 June 2012 €'000**
Identifiable net assets acquired:		
Property, plant and equipment	**1,044**	**1,044**
	1,044	**1,044**
Goodwill arising on acquisition – total		**2,604**
Consideration		**3,648**
The consideration is analysed as:		
Cash consideration		**3,554**
Contingent deferred consideration		**94**
		3,648

10. Business combinations (continued)

The principal factors contributing to the UK Retail goodwill balance are the well established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the period ended 30 June 2012 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed targets for the next 12 months. The contingent deferred consideration amount of €94,000 at 30 June 2012 represents management's best estimate of the fair value of the amounts that will be payable.

During 2012, the Group also paid a total of €510,000 in respect of contingent deferred consideration for a 2010 Irish Retail acquisition and a 2011 UK Retail acquisition.

Net cash outflow from purchase of businesses

	Six months ended 30 June 2012 €'000
Cash consideration – acquisitions in the period	**3,554**
Cash consideration – acquisitions in previous periods	**510**
	4,064
Analysed for the purposes of the statement of cash flows as:	
Purchase of businesses, net of cash acquired	**3,554**
Payment of contingent deferred consideration	**510**
	4,064

11. Financial assets and cash and cash equivalents

	30 June 2012 €'000	31 December 2011 €'000
Non current		
Financial assets – restricted cash	**6,170**	6,409
	6,170	6,409
Current		
Financial assets – restricted cash	**29,024**	18,149
Financial assets – deposits	**6,942**	-
Cash and cash equivalents	**143,413**	111,139
	179,379	129,288
Total	**185,549**	135,697

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	30 June 2012 €'000	31 December 2011 €'000
Cash	**35,421**	21,855
Short term bank deposits – with an original maturity of less than three months	**107,992**	89,284
Cash and cash equivalents in the statement of cash flows	**143,413**	111,139

The directors believe that all short term bank deposits can be withdrawn without significant penalty.

11. Financial assets and cash and cash equivalents (continued)

Financial assets and cash and cash equivalents are analysed by currency as follows:

	30 June 2012	31 December 2011
	€'000	€'000
Euro	**67,660**	46,756
GBP	**53,326**	36,316
AUD	**61,213**	49,710
USD	**3,286**	2,915
Other	**64**	-
	185,549	135,697

Included in non current financial assets – restricted cash at 30 June 2012 are amounts totalling €6,170,000 (31 December 2011: €6,409,000) which are restricted at that date and beyond 30 June 2013 (31 December 2011: beyond 31 December 2012). The balance comprises a deposit of €4,000,000 (31 December 2011: €4,000,000) relating to the Online (ex Australia) business segment which was restricted at that date as it formed part of a guarantee issued in favour of a gaming regulatory authority to guarantee the payment of player funds, prizes and taxes due by the Group (see Note 14). The remaining balance of €2,170,000 (31 December 2011: €2,409,000) relates to bank deposits held by the Online Australia business segment to guarantee certain obligations relating to gambling licences, accommodation held under operating leases and merchant facilities (see Note 14).

Included in current financial assets – restricted cash at 30 June 2012 are deposits totalling €29,024,000 (31 December 2011: €18,149,000) which were restricted at that date and up to various dates, the latest of which is 28 September 2012 (31 December 2011: up to 3 January 2012), as they either (1) formed part of a guarantee issued in favour of the Isle of Man Gambling Supervision Commission in respect of player funds held by the Group or (2) represented client balances also securing those player funds (see Note 14).

Included in current financial assets – deposits are deposits totalling €6,942,000 (31 December 2011: €nil) which had an initial cost of €6,997,000. The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7 'Statement of Cash Flows', and accordingly, the related balances have been separately reported in the consolidated statement of financial position.

12. Dividends paid on ordinary shares

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€'000	€'000
Ordinary shares:		
- final dividend of 70.0 cent per share for the year ended 31 December 2011 (31 December 2010: 50.0 cent)	**34,355**	24,340
	34,355	24,340

The directors have proposed an interim dividend of 39.0 cent per share which will be paid on 28 September 2012 to shareholders on the Company's register of members at the close of business on the record date of 7 September 2012. This dividend, which amounts to approximately €19,122,000, has not been included as a liability at 30 June 2012. The interim dividend for the period ended 30 June 2011 was 30.0 cent per share, amounting in total to €14,604,000.

13. Changes in equity

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (30 June 2011: 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.

13. Changes in equity (continued)

In 2011, as part of the purchase of the remaining 39.2% of Sportsbet on 1 March 2011, 455,535 ordinary shares of €0.10 each, with a total value of €13,438,000, were issued to the vendors of Sportsbet on that date. All other ordinary shares issued during the six months ended 30 June 2012 and 30 June 2011 were in respect of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes. The total consideration paid by employees in respect of share options exercised in the six months ended 30 June 2012 amounted to €782,000 (six months ended 30 June 2011: €182,000). In the six months ended 30 June 2012, an amount of €148,000 (six months ended 30 June 2011: €26,000) in respect of share options exercised during the period was transferred from the share-based payment reserve to retained earnings.

A total of 1,734,000 shares were held in treasury as of 30 June 2012 (30 June 2011: 1,734,000). 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 €34,177,000 as of 30 June 2012 (30 June 2011: €34,177,000). At 30 June 2012, the Company held a further 704,886 of its own shares (30 June 2011: 937,482 shares), which were acquired at a total cost of €22,884,000 (30 June 2011: €23,774,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan ('LTIP'). The Company's distributable reserves at 30 June 2012 and 30 June 2011 are further restricted by these respective amounts. The Long Term Incentive Plan Trust purchased 55,155 of the Company's ordinary shares for a total cost of €2,790,000 in the six months ended 30 June 2012 (six months ended 30 June 2011: nil). A total of 528,338 shares in respect of the 2009 LTIP awards and related dividends were vested from the Long Term Incentive Plan Trust to senior and certain other management staff during the six months ended 30 June 2012 (six months ended 30 June 2011: 437,778 shares relating to the 2008 LTIP awards and 81,147 shares relating to the 2007 Managers' Deferred Share Award Scheme awards).

The foreign exchange translation reserve at 30 June 2012 was a balance of €17,794,000 (30 June 2011: balance of €7,892,000) which arose primarily from the translation of the Group's net investment in AUD and GBP functional currency subsidiary companies. The movement in the six months to 30 June 2012 reflects the strengthening of the AUD and GBP against the euro in the period.

The cash flow hedge reserve at 30 June 2012 comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. During 2012, the Group entered into forward foreign exchange contracts to hedge GBP exposures expected to arise from GBP income in the second six months of 2012. The fair value loss of €1,466,000 (30 June 2011: €nil), stated after applicable deferred taxation of €209,000 at 30 June 2012, arises as the applicable forward contract GBP rates were weaker than the relevant forward exchange rate ruling at 30 June 2012.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €876,000 (30 June 2011: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (30 June 2011: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. The net wealth tax reserve had a balance of €49,000 at 30 June 2012 (30 June 2011: €49,000).

14. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.6m (31 December 2011: €15.3m) with Allied Irish Banks plc. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has a bank guarantee in favour of the Isle of Man Gambling Supervision Commission as security for player funds owed by certain of the Group's Isle of Man companies to their customers. This guarantee is required as part of the Group's Online Gambling Licence. The maximum amount of the guarantee at 30 June 2012 was £18,000,000 (euro equivalent of €22,310,000) (31 December 2011: £18,000,000 and euro equivalent of €21,549,000). No claims had been made against the guarantee as of 30 June 2012 (31 December 2011: €nil). The guarantee is secured by counter indemnities from Paddy Power plc and certain of its Isle of Man subsidiary companies, and, at 30 June 2012, was secured by a cash deposit of €19,718,000 (31 December 2011: €9,288,000) over which the guaranteeing bank holds a floating charge. The fair value accounting impact of this guarantee is deemed to be immaterial. The Group has a further €9,306,000 (31 December 2011: €8,861,000) in client accounts held for the benefit of the Isle of Man Gambling Supervision Commission as security for player funds owed by relevant Group companies.

14. Commitments and contingencies (continued)

The Group has bank guarantees in favour of certain gaming regulatory authorities as part of other gambling licences to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies. The maximum amount of the guarantees at 30 June 2012 was €4,200,000 (31 December 2011: €4,475,000). No claims had been made against the guarantees as of 30 June 2012 (31 December 2011: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies, and, at 30 June 2012, were also secured by a cash deposit of €4,000,000 (31 December 2011: €4,000,000) over which the guaranteeing bank holds a floating charge (see Note 11). The fair value accounting impact of these guarantees is deemed to be immaterial.

The Australian corporate sports bookmaking licence issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 30 June 2012, the total value of relevant customer balances attributable to the Online Australia business segment was €31,086,000 (AUD38,357,000) (31 December 2011: €24,790,000 (AUD31,541,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €44,012,000 (AUD54,306,000) (31 December 2011: €43,939,000 (AUD55,904,000)).

The Online Australia operating segment had €2,170,000 of cash-backed bank issued guarantees outstanding at 30 June 2012 (31 December 2011: €2,409,000), relating to gaming licences, rental and other property commitments and merchant facilities.

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the 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 statement of financial position date but not yet incurred was as follows:

	30 June 2012	31 December 2011
	€'000	€'000
Property, plant and equipment	**1,999**	1,213
Intangible assets	**1,427**	866
	3,426	2,079

15. Related parties

There were no transactions with related parties during the six months ended 30 June 2012 or 30 June 2011 or the year ended 31 December 2011 that materially impacted the financial position or performance of the Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

16. Events after the reporting date

Dividend
In respect of the current period, the directors propose that an interim dividend of 39.0 cent per share (2011: 30.0 cent per share) be paid to shareholders on 28 September 2012. 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 7 September 2012. The total estimated dividend to be paid amounts to €19,122,000 (2011: €14,604,000).

Independent Review Report to Paddy Power plc

Introduction
We have been engaged by Paddy Power plc ('the Company') to review the condensed consolidated interim financial statements in the half yearly financial report for the six months ended 30 June 2012, which comprise the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity 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') and the Transparency Rules of the Republic of Ireland's Financial Regulator. 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 half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly report in accordance with the TD Regulations and the Transparency Rules of the Republic of Ireland's Financial Regulator.

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 in the half yearly financial report 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 in the half yearly financial report for the six months ended 30 June 2012 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Republic of Ireland's Financial Regulator.

David Meagher
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
Dublin

28 August 2012