

PADDY POWER PLC ANNOUNCES INTERNATIONAL EXPANSION IN AUSTRALIA

ACQUISITION OF 51% INTEREST IN SPORTSBET

Paddy Power plc (“Paddy Power”) today announces its entry into the highly attractive Australian betting market through the acquisition of 51% of Sportsbet Pty Ltd (“Sportsbet”) (“the Acquisition”). The Acquisition is in line with Paddy Power’s development strategy to expand internationally and leverage its existing expertise.

Sportsbet, which has been operating for over 15 years, is one of Australia’s largest corporate (i.e. non pool) bookmakers and is licensed to undertake business throughout Australia by the Northern Territory Racing Commission. Sportsbet’s activities comprise bookmaking on racing and sports for Australian customers through online and telephone channels. Sportsbet also owns 19.98% of International All Sports Limited, a publicly quoted competitor. Matthew Tripp, Sportsbet’s controlling shareholder and Chief Executive Officer will continue as CEO post completion. Paddy Power will appoint four directors to the Board of Sportsbet, including Patrick Kennedy and Breon Corcoran, and will have a voting majority on the Board.

The initial consideration payable by Paddy Power to acquire 51% of Sportsbet will be AUD48.5m (€27.2m). This will be satisfied at completion by a cash payment of AUD45.8m (€25.7m) (from Paddy Power’s existing cash reserves) and the issue of 100,000 Paddy Power shares to Sportsbet shareholders. Sportsbet is forecasting EBITDA of AUD14.6m (€8.2m) for the year ending 30 June 2009. Additional cash consideration of AUD10m (€5.6m) will become payable to Sportsbet shareholders in early 2010 if the EBITDA of Sportsbet in the 2009 calendar year (before transaction and restructuring costs) exceeds AUD16.5m (€9.2m).

Under the terms of the Acquisition, in the event that Sportsbet’s EBITDA for any of the years ending 30 June 2010, 2011 or 2012 is less than AUD11m (€6.2m), Paddy Power has the right to claw equity from Sportsbet’s existing shareholders on a proportionate basis to the shortfall in profitability. For example, if EBITDA in the year ending 30 June 2011 is AUD9.9m (i.e. 10% below the target of AUD11m), then Paddy Power has the right to purchase 10% of the shares in Sportsbet that it does not own for a nominal sum. In addition, Paddy Power has a call option, exercisable in either 2012 or 2013, to acquire all of the outstanding shares in Sportsbet that it does not own, with the exercise price to be determined based on an EBITDA multiple of 5 to 7 times, depending on the level of EBITDA. In the event that Paddy Power elects not to exercise the call option, the minority shareholders in Sportsbet will have the option to acquire Paddy Power’s shareholding.

Paddy Power will complement Sportsbet’s very successful existing offering with its marketing, e-commerce and risk and product expertise and will relocate a number of its managers to Australia.

The Acquisition is conditional on the approvals of the Australian Foreign Investment Review Board and the Northern Territory Racing Commission and is anticipated to complete on or around 1 July 2009.

Commenting on the Acquisition, Patrick Kennedy, Paddy Power's Chief Executive, said:

"This business is an excellent fit with Paddy Power. Sportsbet has a strong, well run business together with plenty of potential to build on its market position in Australia. The acquisition adds a new dimension to our business portfolio to which we can bring trading, risk management and marketing expertise honed in Ireland and the UK to complement Sportsbet's existing skills and experience."

A presentation for analysts will be held by conference call at 8.30am this morning (Dial in from Ireland: 1 800 946 811; from UK 01296 317 500; from elsewhere +44 1296 317 500; Passcode: 713 246). The presentation can be downloaded from www.paddypowerplc.com from 7.30am.

(Notes: In the year ending 30 June 2009, Sportsbet expects to generate turnover of AUD956m (€535m), gross win of AUD58m (€32m) and both EBITDA and profit before tax of AUD14.6m (€8.2m). As at 31 December 2008, Sportsbet's gross assets amounted to AUD45m (€22m)).

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