

23 December 2010

**Paddy Power to acquire outstanding minority shareholdings in Sportsbet
Increased exposure to growing regulated Australian online market**

Transaction Highlights:

- Proposed acquisition of remaining 39.2% minority shareholdings in Sportsbet, Australia's largest corporate bookmaker.
- Consideration of AUD132.6 million (€100.9 million) is payable on completion.
- Additional consideration up to a maximum of AUD25 million, if Sportsbet's 2013 EBITDA exceeds AUD80 million.
- Incremental special dividend of AUD8.5 million (€6.5 million) to the vendors.
- Transaction provides increased exposure to the growing regulated Australian online market.
- The acquisition is expected to be earnings enhancing in 2011.

Transaction Overview:

Paddy Power plc ("Paddy Power") today announces that it has agreed to purchase the remaining 39.2% minority shareholdings in Sportsbet Pty Ltd ("Sportsbet") for AUD132.6 million (€100.9 million) ("the Buyout"). The Buyout is subject, inter alia, to shareholder approval. Completion is expected by the end of February 2011.

The AUD132.6 million (€100.9 million) consideration payable on completion is to be satisfied by:

- AUD110.1 million (€83.8 million) in cash from Paddy Power's existing cash reserves;
- the issue of AUD18.5 million (€14.1 million) of new Paddy Power shares calculated by reference to a share price of €29.17 per share and the AUD exchange rate immediately prior to completion;
- the assumption of an AUD4.0 million (€3.0 million) obligation to certain Sportsbet employees.

Additional consideration is payable to the extent Sportsbet's calendar year 2013 earnings before interest, tax, depreciation and amortisation ("EBITDA") exceeds AUD65 million. The maximum additional consideration of AUD25 million is payable if 2013 EBITDA exceeds AUD80 million.

A special dividend, in excess of that payable pursuant to the ongoing dividend policy, will be paid to all Sportsbet shareholders prior to completion. The special dividend payable to the vendors will be AUD8.5 million (€6.5 million).

Paddy Power had net cash balances of €150 million, or €108 million excluding customer balances, as at 30 November 2010.

Background & Benefits:

Paddy Power completed the acquisition of its initial 51% shareholding in Sportsbet in July 2009. Sportsbet subsequently acquired International All Sports Limited (“IAS”) in October 2009 and Paddy Power increased its stake in Sportsbet to 60.8% in February 2010. Under the terms of the original acquisition, Paddy Power holds a call option to increase its shareholding in Sportsbet to 100%, exercisable in either 2012 or 2013, based on a multiple of up to 7x EBITDA in the financial year ending 30 June 2012 or 2013, respectively.

Since Paddy Power made its initial investment in Sportsbet in 2009, the maximum contingent consideration on that transaction was paid due to the ongoing success of the business.

The acquisition of the remaining 39.2% of Sportsbet now provides Paddy Power with increased exposure to the growing regulated Australian online market and the opportunity to take complete control of the business, drive development and investment and secure full participation in the anticipated upside of this business.

The Buyout is expected to be earnings enhancing in 2011.

The six vendors are members of the Sportsbet management team and/or board (including the CEO, Matt Tripp) and will continue to be incentivised by the contingent consideration (AUD25 million) under the terms of the Buyout and will also receive AUD18.5 million of the consideration in Paddy Power shares.

Sportsbet Financials:

Paddy Power expects Sportsbet to achieve EBITDA pre Group central cost allocations of no less than AUD23 million (€15.9 million) in the six months ending 31 December 2010, after achieving an equivalent EBITDA of AUD14.8 million (€10.0 million) in the six months ended 30 June 2010.

Sportsbet reported profit before tax of AUD20.3 million (€12.8 million) in its audited consolidated financial statements for the financial year ended 30 June 2010 and its gross assets at the same date amounted to AUD116.5 million (€80.9 million).

Shareholder Approval & other key conditions:

Under the Listing Rules, the Buyout is classified as a Class 1 transaction (due to the size of the transaction relative to Paddy Power) and a Related Party transaction (as three of the minority shareholders in Sportsbet are directors of Sportsbet). As such, the transaction requires the prior approval of Paddy Power shareholders at an Extraordinary General Meeting, notice of which will be included in a Circular which is expected will be sent to shareholders by February 2011.

The Buyout is also conditional, inter alia, on the approvals of the Australian Foreign Investment Review Board and the Northern Territory Racing Commission.

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

"When we acquired 51% of Sportsbet in 2009 we were confident that we were investing in a business with strong potential in a growing market. That confidence has been borne out and some. It's a cracking business. The team has made great strides in marrying the best of both Sportsbet and Paddy Power. This is a good deal to acquire the remaining shares early which will allow us to drive development and investment and secure full participation in the upside of the business."

A conference call with analysts will be held at 8.30am this morning (Dial in +44 (0) 208 996 3900; Passcode: 451 156).

Notes:

Sportsbet, which has been operating for over 15 years, is Australia's largest corporate (i.e. non pool) bookmaker and is licensed to undertake business throughout Australia by the Northern Territory Racing Commission. Sportsbet's activities constitute Paddy Power's "Australian Division" and comprise bookmaking on racing and sports for Australian customers predominantly through its online channel. Sportsbet's activities also include International All Sports Limited, a previously publicly quoted competitor, the acquisition of which it completed on 1 October 2009.

There are three directors of Sportsbet amongst the vendors ("the Related Parties") and their percentage shareholdings in the ordinary share capital of Sportsbet are as follows: Matthew Tripp 19.6%; Grant Griffiths 9.8%; and Nicholas Tyshing 2.45%.

This announcement may include certain "forward-looking statements". These statements are based on the current expectations of Paddy Power and are naturally subject to uncertainty and changes in certain circumstances. Forward-looking statements typically include statements containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are various factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, changes in economic conditions, changes in the regulatory environment, fluctuations in gross win percentages, interest and exchange rates, the outcome of litigation and government actions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Paddy Power does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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