

2 October 2006

PartyGaming Plc

United States legislation

On 30 September 2006, the United States Congress passed The Safe Port Act. That measure also contained certain provisions known as the 'Unlawful Internet Gambling Enforcement Act of 2006' that will affect the processing of payments between US customers and online gaming companies, including PartyGaming, that are publicly traded and licensed and regulated in respected jurisdictions.

The Act is expected to be signed into law by President Bush within the next two weeks. If signed into law, it will immediately make unlawful the receipt by a gambling business of proceeds or monies in connection with unlawful internet gambling. The Act does not clarify the definition of unlawful gambling. However, as the first piece of Federal legislation dealing explicitly with internet gaming, it does make clear that the US government intends to stop the flow of funds from Americans to online gaming operators through criminal sanction. The Act also asserts that, under US law, a wager must be permitted under the laws both of the customer's place of residence and that of the operator.

After taking extensive legal advice, the Board of PartyGaming Plc has concluded that the new legislation, if signed into law, will make it practically impossible to provide US residents with access to its real money poker and other real money gaming sites. As a result of this development, the Board of PartyGaming has determined that if the President signs the Act into law, the Company will suspend all real money gaming business with US residents, and such suspension will continue indefinitely, subject to clarification of the interpretation and enforcement of US law and the impact on financial institutions of this and other related legislation. Access to PartyGaming's online gaming sites for the Group's US free play customers will be unaffected. Access for all of PartyGaming's non-US customers will also be unaffected.

The Group's strategic focus remains on developing its existing markets outside of the US and on developing new markets and products. Should activities in the US be suspended, the Directors will also seek to re-align the Group's cost base to accommodate the changed business environment. However, any such suspension would also result in the Group's financial performance falling significantly short of consensus forecasts for 2006 and 2007.

Mitch Garber, Chief Executive Officer of PartyGaming, said:

"This development is a significant setback for our company, our shareholders, our players and our industry. While US horse race betting, state lotteries, fantasy contests and certain other online gaming activities have been exclusively protected under the new law, we are disappointed that the popularity and skill of poker in particular have not also been specifically protected. The Board respects the laws of the US Government, and will continue to analyse their applicability, but also continues to believe that a regulatory framework for online gaming, including poker and casino gaming is the only sustainable long term solution.

"We have a substantial gaming business outside the US, one that is highly profitable and growing rapidly on one of the most technologically advanced platforms available. In the first half of 2006 our non-US business generated revenues of \$150 million, a 151% increase over the comparable period in the previous year. Gaming on the internet is already a popular form of entertainment for millions of adults and we will continue to expand our business into new territories, offering fun, responsible and friendly competition in a safe and secure environment for customers around the world. PartyGaming is by far the largest online gaming company in terms of non-US business and liquidity and we intend to focus on and increase our advantage in that area."

A further update will be provided with the Q3 KPIs on 20 October 2006.

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