

PartyGaming Plc

Notification of the acquisition or disposal of major shareholdings

Introduction

The purpose of this note is to provide a summary to those investing in PartyGaming shares and/or depositary interests and/or derivatives exposed to PartyGaming shares of their disclosure obligations. This note is not exhaustive and investors may need to take their own separate advice on their disclosure obligations.

The Rules

PartyGaming is listed on the London Stock Exchange. As a result, the company and those that invest in it are subject to amongst other things the Disclosure Rules and Transparency Rules (**DTRS**) (<http://fsahandbook.info/FSA/html/handbook/DTR>) issued by the UK's Financial Services Authority (**FSA**).

Voting Rights

Chapter 5 of the DTRs requires investors to disclose to the FSA and the company if they pass certain holding thresholds. The regulations focus on the level of voting rights attaching to the shares an investor holds rather than merely on the number of shares. PartyGaming only has ordinary shares in issue and each share has one vote, with the exception of the shares held by the employee benefit trust, where the voting rights have been waived. On the last business day of each month PartyGaming releases a Total Voting Rights Announcement (see the "Media Centre" tab on the corporate website and "Press Releases") which sets out the number of total voting rights, which should be used by investors monitoring if they have to make a notification.

Thresholds

The threshold levels at which disclosures are triggered depends on whether the listed company in which an interest is held is incorporated in the UK or elsewhere. PartyGaming is incorporated in Gibraltar and so is not a UK company and is therefore classed under the DTRs as a non-UK Issuer. However, PartyGaming's articles of association provide that:

*"The provisions of Chapter 5 (Vote holder and Issuer Notification Rules) of the Disclosure Rules and Transparency Rules (the **DTRS**) made by the UK Financial Services Authority pursuant to Part VI of the FSMA, as revised from time to time, shall apply to the Company as if the Company were not a "non-UK issuer" (as defined in the DTRs)." (Article 237)*

Therefore, for the purposes of deciding whether or not a disclosure obligation arises, PartyGaming should be treated just the same as a UK incorporated company. As a result the thresholds for notification are if the percentage of those voting rights reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter.

Interests in Shares via Derivatives

From 1 June 2009 Chapter 5 of the DTRs was expanded so that the disclosure of interests regime now also covers the disclosure of interests in derivatives and other rights over shares with "similar economic effect". So the new rules require disclosure of gross¹ long positions in

¹ The rules focus on long positions in the economic performance of shares. Consequently, all long positions have to be disclosed on a gross basis, irrespective of an offsetting short position.

instruments with "similar economic effect" to qualifying financial instruments, for example contracts for difference (**CfDs**) and cash settled options, referenced to PartyGaming shares.

These rule change applies to UK incorporated companies only, but because of the provision in PartyGaming's articles (see above) this rule change also applies to PartyGaming.

It should be noted that all financial instruments (share interests and derivatives) giving access to the voting rights or that are referenced, in whole or in part, to an issuer's shares and, in effect, give a long position in the economic performance of the shares, have to be aggregated across all the instruments held. This means that if an investor holds 2% of the voting rights via a shareholding and 2% via CFDs, the disclosable position would be 4%.

The DTRs do not list the types of financial products that fall within these disclosure rules because of the ability of financial markets to invent new products on a regular basis. However, the FSA has issued a Questions & Answers memo on these new disclosure obligations (<http://www.fsa.gov.uk/pubs/ukla/disclosure.pdf>) to assist investors reviewing whether or not they have an interest that requires to be disclosed. The onus is on the holder of the interest to judge whether the particular interest falls within the scope of the DTRs and the holder may need to take independent advice on this matter.

2 June 2009