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GALA AND CORAL EURO BET TO FORM EUROPE'S LARGEST INTEGRATED BETTING AND GAMING COMPANY

Gala, the gaming group, today announces the acquisition of Coral Eurobet, the bookmaker and internet gaming operator, for a consideration of £2.18bn. The deal creates Europe's pre-eminent integrated betting and gaming company with strong market positions in licensed betting offices, bingo and casinos, and a high quality multimedia offer.

The enlarged company has an enterprise value of more than £4bn. It trades from 1,450 outlets, employs a total workforce of 17,000 and has more than 2.2 million active customers.

The deal is backed by Candover, Cinven and Permira, which are the joint and equal private equity owners of Gala. Each is increasing its investment in the enlarged company by £275m to help finance the acquisition. Debt has been provided by Royal Bank of Scotland, Lehman Brothers and Intermediate Capital Group.

Gala chief executive, Neil Goulden, and chairman, John Kelly, will carry on in the same posts in the enlarged company. Vaughn Ashdown and Mick Mariscotti, chief executive and CFO respectively of Coral, have agreed to stay on at the enlarged group and will join the Gala Group board to help facilitate the integration of the two companies.

Following the acquisition, the enlarged group will be the UK's third largest bookmaker with 1,267 licensed betting offices, the UK's largest bingo operator with 167 clubs and a leading operator of casinos with 30 outlets. Coral Eurobet's established online business, matched with Gala's web based products, will also make Gala a significant online gaming operator with strong prospects for further growth.

Commenting on the deal, Neil Goulden, Gala chief executive, said:

"Coral Eurobet is an ideal fit with Gala. It is a superbly run company, with strength and depth in management. It fits into our high volume low-ticket strategy and allows us to move into licensed betting offices for the first time. We have a demonstrable track record of successfully integrating businesses, and there are significant revenue enhancing synergy opportunities in combining the two companies.

"This is the perfect time to merge Gala and Coral Eurobet as both companies seek to take maximum advantage of the deregulating gaming market. The merger will add enormous benefit not just to our shareholders but also to our 17,000 employees and 2.2m customers. Vaughn Ashdown is one of the best operators in the industry and I am looking forward to working with him".

Vaughn Ashdown, chief executive of Coral Eurobet, said:

"The combination of two of Britain's top private equity backed businesses has been three years in the planning and I am personally delighted to have achieved the best consolidation opportunity in our industry. It will allow the Coral Eurobet and Gala brands to thrive and grow together. I have the highest regard for Neil and his team, as well as my own management team, and I will help them wherever I can to ensure the new Group's success."

Contacts

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Notes to editors:

Advisers

Gala was advised by Merrill Lynch and Global Leisure Partners and Coral Eurobet by Lehman Brothers. Merrill Lynch and UBS advised Candover, Cinven and Permira.

Gala History

December 1997 - PPMV and Royal Bank Development Capital back John Kelly and Richard Sowerby's management buy-in team of Gala's 130 bingo clubs from Bass.

July 1998 - Gala acquires Ritz from Duke Street Capital for £36 million. Ritz has 17 bingo clubs.

June 1999 - Gala acquires Jarglen Group for £21 million. Jarglen has 10 bingo clubs.

March 2000 - CSFB Private Equity acquires Gala for £400 million. PPMV and Royal Bank Development Capital invest new money in the business.

April 2000 - Gala acquires Riva Clubs from NatWest Equity Partners for £90 million. Riva is the third largest bingo operator with 27 clubs. Gala becomes the UK's largest bingo operator overtaking Mecca.

December 2000 - Gala acquires Ladbrokes Casinos from Hilton Group for £235 million. Ladbrokes Casinos has 27 casinos in the UK in addition to casinos in the Isle of Man and Gibraltar.

February 2003 - Candover and Cinven back £1.24 billion buy-out of Gala.

January 2005 - Gala completes refinancing and returns £275m to shareholders.

August 2005 – Permira buys equity stake, valuing Gala at £1.89bn

Coral History

Established in 1926 and based and licensed in the United Kingdom, Coral Eurobet is now one of the leading betting and gaming operators in the World. Coral has also grown organically and through acquisition, including that of Eurobet, the international online gaming operator, since it was sold by Bass for £362m in 1997.

In September 2002 Charterhouse Capital Partners backed the management team, led by Vaughn Ashdown and Mick Mariscotti, to acquire Coral Eurobet for £860m.

Coral Eurobet operates two major trading divisions:

Coral - The UK Business: Coral operates 1,267 licensed betting shops throughout the United Kingdom, as well as a substantial telephone betting operation, two greyhound racing stadia and an online betting business. Coral also operates an online casino, an online gaming site and an online poker site.

Eurobet - The International Business: Eurobet operates one of the World's leading online betting and gaming businesses. Eurobet.com offers betting opportunities on a huge range of international sports events to customers across the globe. Eurobet also operates an international online casino, an international gaming website, and an international online poker site. Eurobet has customers in over 100 countries and offers betting services in 18 different languages.

Candover

Candover is a leading provider of equity for large European buy-outs. With an investment track record stretching over 25 years, it has backed more than 120 buy-outs across Europe worth over €25 billion. Investment in deals by Candover is provided in two forms, from Candover Investments plc, a publicly quoted investment trust capitalised at around €600 million, and from funds managed by Candover Partners, a wholly owned subsidiary.

The Candover Group has three offices in London, Paris and Düsseldorf, and a local advisor in Madrid.

www.candover.com

Cinven

Cinven is one of the most prominent and successful investors in the European buy-out market. It has led transactions with a value in excess of €50 billion.

From its offices in Frankfurt, London and Paris, Cinven focuses exclusively on creating value in companies headquartered in Europe, which have a minimum enterprise value of €500 million and are market leaders or have the potential to become such.

Established in 1977, the firm has been a totally independent business since 1995. Its current fund, which closed at €4.4 billion in April 2002, is one of the largest sources of private equity dedicated solely to European buy-outs.

Cinven's previous transactions in the leisure sector include Unique Pub Company (sold in March 2004, achieving a cash return in excess of two times invested capital), Odeon (sold in March 2003, securing a multiple of almost two times invested capital) and William Hill (floated in 2002 on the London Stock Exchange and achieving a full realisation for Cinven at a multiple in excess of three times invested capital). Most recently, Cinven sold Fitness First to funds advised by BC Partners for an enterprise value of €1.2 billion, achieving returns of well over two times invested capital. Cinven Limited is authorised and regulated by the Financial Services Authority.

www.cinven.com

Permira

Permira is a leading international private equity specialist. As an independent business, Permira is owned and controlled by its partners. In October 2003, Permira announced the final closing of a third pan-European fund, Permira Europe III, which, together with commitments from Permira, totals over €5 billion. The firm's team of 90 professionals, based in Frankfurt, London, Madrid, Milan, New York, Paris and Stockholm, advises the Permira Funds with a total committed capital of €11 billion. Since 1985, the Permira Funds have completed over 270 private equity transactions. In the last 12 months, the Permira Funds have committed to 8 transactions with a combined transaction value of over €13 billion.

www.permira.com