

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser immediately (being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted under the Investment Intermediaries Act, 1995 of Ireland (as amended) or the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 or, in the case of Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom).

This document comprises a Prospectus relating to Paddy Power plc (“**Paddy Power**”), in connection with a proposed merger (the “**Merger**”) with Betfair Group plc (“**Betfair**”). This Prospectus has been drawn up in accordance with Chapter 1 of Part 23 of the Companies Act 2014, the Irish Prospectus Regulations, and the EU Prospectus Regulation. This Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive, as amended. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the New Paddy Power Betfair Shares to be issued in connection with the Merger and admitted to trading on the regulated market of the Irish Stock Exchange and the regulated market of the London Stock Exchange. This Prospectus has been made available to the public in Ireland in accordance with Part 8 of the Irish Prospectus Regulations by the same being made available, free of charge, in electronic form on Paddy Power’s corporate website (www.paddypowerplc.com). Paddy Power has requested that the Central Bank provides a certificate of approval and a copy of this Prospectus to the competent authority in the United Kingdom.

Applications will be made to the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange, respectively for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and on the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange’s main market for listed securities and the Irish Stock Exchange’s Main Securities Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Paddy Power Betfair Shares will commence on the London Stock Exchange and the Irish Stock Exchange at 8.00 a.m. on or shortly after the Effective Date.

Paddy Power and the Paddy Power Directors and the Proposed Directors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of Paddy Power and the Paddy Power Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

You should read this Prospectus and the documents incorporated herein by reference in their entirety. Your attention is specifically drawn to the risk factors set out in the Section “*Risk Factors*” of this Prospectus.

PADDY POWER PLC

(Proposed to be re-named Paddy Power Betfair plc)

(incorporated and registered in Ireland under the Companies Acts with registered number 16956)

Recommended all share merger of Paddy Power plc and Betfair Group plc

Proposed issue of up to 39,542,456 Ordinary Shares in Paddy Power Betfair in connection with the Merger

Application for Admission of the New Paddy Power Betfair Shares

Prospective investors should rely only on the information contained in this Prospectus and the documents incorporated herein by reference. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised. Any delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of Paddy Power and Betfair taken as a whole since, or that the information contained herein is correct at any time subsequent to the date of this Prospectus or the date of the documents incorporated by reference herein. Paddy Power will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each recipient of this Prospectus should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice. None of Paddy Power, Morgan Stanley or any of their respective representatives, is making any representation to any prospective investor in the New Paddy Power Betfair Shares regarding the legality of an investment in the New Paddy Power Betfair Shares by such prospective investor under the laws applicable to such prospective investor.

This Prospectus has been prepared as a requirement of admission to trading on (i) the Main Securities Market of the Irish Stock Exchange (as required by Regulation 13 of the Irish Prospectus Regulations) and (ii) the main market of the London Stock Exchange (as required by Section 85(2) of FSMA), of the New Paddy Power Betfair Shares to be issued and allotted pursuant to the Merger. For the avoidance of doubt, the allotment of the New Paddy Power Betfair Shares will, if the Merger becomes effective, occur as a consequence of an order of the High Court of Justice in England and Wales and not in pursuance of any offer to sell or exchange or invitation to purchase, or the solicitation of an offer or invitation to purchase or subscribe for any securities or to become a member of Paddy Power.

This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this Prospectus in certain jurisdictions may be restricted by law. Other than in Ireland and the United Kingdom, no action has been or will be taken by Paddy Power to permit an issue of the Ordinary Shares or to permit the possession or distribution of this Prospectus (or any other issuing or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required. Neither this Prospectus, any advertisement nor any other material relating to it may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violations of any such restrictions by any person.

Morgan Stanley, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom is acting as financial adviser and sponsor to Paddy Power and no one else in connection with the Merger. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this Prospectus or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Morgan Stanley and its affiliates, directors, officers, employees and advisers, accept no responsibility or liability whatsoever for, and do not make any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with Paddy Power, Betfair, the Combined Group or the Merger (including, without limitation, under section 1349 of the Companies Act 2014, or Regulation 31 of the Irish Prospectus Regulations), and nothing in this Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Morgan Stanley accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

IBI Corporate Finance, which is regulated by the Central Bank, is acting as financial adviser to Paddy Power and no one else in connection with the Merger. In connection with such matters, IBI Corporate Finance, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this Prospectus or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, IBI Corporate Finance and its affiliates, directors, officers, employees and advisers, accept no responsibility or liability whatsoever for, and do not make any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with Paddy Power, Betfair, the Combined Group or the Merger (including, without limitation, under section 1349 of the Companies Act 2014, or Regulation 31 of the Irish Prospectus Regulations), and nothing in this Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. IBI Corporate Finance accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Notice to shareholders in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), an offer to the public of any Ordinary Shares (including by means of a resale or other transfer) may not be made in that Relevant Member State, other than the issuing of New Paddy Power Betfair Shares pursuant to the Merger in Ireland and the United Kingdom contemplated in this Prospectus (from the time the Prospectus has been approved by the Central Bank, in its capacity as the competent authority in Ireland, and published in accordance with the Prospectus Directive as implemented in Ireland and the United Kingdom), except that an offer to the public in that Relevant Member State of the New Paddy Power Betfair Shares may be made at any time under the following exemptions under the Prospectus Directive, if and as they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Paddy Power Betfair Shares shall result in a requirement for Paddy Power to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the provisions above, the expression an “offer to the public” in relation to any New Paddy Power Betfair Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Merger and the New Paddy Power Betfair Shares to be offered so as to enable an investor to decide to accept the issue of shares pursuant to the terms of the Merger, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

US Investors

The Merger relates to the acquisition of shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Merger is subject to the disclosure and other procedural requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules including with respect to withdrawal rights, offer timetable and settlement procedures. However, if Paddy Power were to elect to implement the Merger by means of a Merger Offer, such Merger Offer will be made in compliance with all applicable laws and regulations, including section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a Merger Offer would be made in the United States by Paddy Power and no one else. In addition to any such Merger Offer, Paddy Power, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Betfair outside such Merger Offer during the period in which such Merger Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website: www.londonstockexchange.com.

The financial information included in this Prospectus has been prepared in accordance with accounting standards applicable in the UK and Ireland and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The New Paddy Power Betfair Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Paddy Power Betfair Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Paddy Power Betfair Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof. Betfair Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Paddy Power or Betfair prior to, or Paddy Power after, the Effective Date will be subject to certain US transfer restrictions relating to the New Paddy Power Betfair Shares received pursuant to the Merger. For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by section 3(a)(10), Betfair will advise the Court that its sanctioning of the Scheme will be relied upon by Paddy Power as an approval of the Scheme following a hearing on its fairness to Betfair Shareholders.

The receipt of New Paddy Power Betfair Shares pursuant to the Merger by a US Betfair Shareholder may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other, tax laws. Each Betfair Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger.

It may be difficult for US Betfair Shareholders to enforce their rights and claims arising out of the US federal securities laws, since Paddy Power and Betfair are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US Betfair Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement. US Betfair Shareholders should note that the New Paddy Power Betfair Shares will not be listed on a US securities exchange and Paddy Power Betfair will not be subject to the periodic reporting requirements of the US Exchange Act and will not be required to file any reports with the US Securities and Exchange Commission thereunder.

None of the securities referred to in this Prospectus have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Unless otherwise determined by Paddy Power or required by the Code, and permitted by applicable law and regulation, no person will be able to participate in the Merger, in, or from a Restricted Jurisdiction where to do so

would violate the laws in that jurisdiction and no person may vote in favour of the Merger by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Prospectus and all documents relating to the Merger are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Prospectus and all documents relating to the Merger (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of New Paddy Power Betfair Shares under the Merger to Betfair Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.

This Prospectus is dated 30 November 2015

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A–E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A—Introduction and warnings		
Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision relating to the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering the securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by Paddy Power to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries. Paddy Power is not engaging any financial intermediaries for any resale of securities or final placement of securities in connection with this Prospectus.

Section B—Issuer		
Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	The legal and commercial name of the issuer is Paddy Power plc. It is proposed that Paddy Power plc will be re-named Paddy Power Betfair plc on or about the Effective Date.
B.2	Domicile and legal form	Paddy Power was incorporated and registered in Ireland on 8 April 1958 with registered number 16956 and registered office at Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, DO4 V972, Ireland. Paddy Power re-registered as a public limited company on 15 November 2000 and is domiciled in Ireland. The principal legislation under which Paddy Power operates, and under which the New Paddy Power Betfair Shares will be issued, is the Companies Acts.
B.3	Operations and principal activities	Paddy Power Paddy Power is an international multichannel betting and gaming group operating primarily in the United Kingdom, Ireland, Australia, and Italy. Paddy Power is headquartered in Dublin, Ireland and employs over 5,000 people worldwide. As at 30 June 2015, Paddy Power had 584 betting shops in Ireland and the United Kingdom and had over 1.8 million active online customers worldwide.

Section B—Issuer		
Element	Disclosure requirement	Disclosure
		<p>The Paddy Power Group delivers sports betting and gaming products to customers via three channels; retail, online and telephone. Paddy Power’s fixed odds sports book offers customers the opportunity to place bets on the likelihood of an event occurring. Paddy Power’s gaming products can be subdivided into four segments: games, casino, bingo and poker.</p> <p>Betfair</p> <p>Betfair is one of the world’s largest international online sports betting providers. Betfair is headquartered in London, United Kingdom and employs over 2,000 people across 13 offices worldwide. Betfair had more than 1.7 million active customers in the financial year ended 30 April 2015.</p> <p>Betfair’s business is organised and managed in two business segments: Betfair (excluding US) and Betfair US. Betfair (excluding US) comprises sports, gaming and management of customer funds. Sports consists of Betfair’s Betting Exchange, Betfair’s Sportsbook and Timeform. Gaming consists of various casino products, bespoke exchange games products, Tradefair Spreads and poker. Betfair US consists of the TVG Network and an online casino in New Jersey.</p>
B.4a	Significant recent trends	<p>Paddy Power</p> <p>Paddy Power performed very strongly in the first half of 2015 and trading in the period from 1 July 2015 to 15 November 2015 was in line with expectations.</p> <p>While sports results in this period were unfavourable across the sector, for Paddy Power this was offset by strong underlying growth.</p> <p>Top-line growth for the Paddy Power Group has been strong notwithstanding the comparative period benefitting from both very favourable sports results and the concluding stages of the football World Cup.</p> <p>In online, sports betting stakes were up 23% and total net revenue was up 7%. In retail, sports betting stakes grew by 12% and total net revenue by 7% (or 7% and 1% respectively excluding the impact of new shops).</p> <p>Betfair</p> <p>Betfair traded strongly in its key markets throughout the first half of FY16, with revenue up 15% to £274.4 million despite the comparative period containing the World Cup. Betfair’s two largest markets, the UK and the USA, accounted for most of this growth.</p> <p>Betfair’s Sportsbook continued to take market share, with stakes up 93% year on year. In the US, TVG’s acquisition of HRTV in February 2015 gave it greater distribution and access to premium content, which, together with the business’ existing momentum, resulted in revenue growth of 38%.</p>

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		<p>Over the last twelve months Betfair added over 100 people to its product development teams and, adjusting for the World Cup, sales and marketing costs were up 13%. Notwithstanding this investment, and the significant burden of higher gaming taxes, strong revenue growth and continued cost discipline resulted in 9% higher EBITDA.</p> <p>Reported profit before tax, which in the prior year included a £6.4 million gain relating to the disposal of Betfair’s joint venture in Australia, was down 1% to £66.3 million (H1 FY15: £67.3 million), and reported earnings per share was up 10% to 60.3 pence (H1 FY15: 55.0 pence).</p> <p>Underlying earnings per share, which excludes the gain on disposal, increased by 23% to 60.3 pence (H1 FY15: 48.9 pence).</p>																																				
B.5	Paddy Power Group description	<p>Paddy Power is the holding company of the Paddy Power Group. Following the Effective Date, Paddy Power Betfair will be the holding company of the Combined Group.</p> <p>The principal subsidiary undertakings and associated undertakings of the Paddy Power Group and the Betfair Group (being those which are considered by Paddy Power and Betfair, respectively, to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Paddy Power Group and the Betfair Group, as applicable) are set out below:</p> <p>Paddy Power</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Name</th> <th style="text-align: right;">Percentage Ownership Interest</th> </tr> </thead> <tbody> <tr><td>Belgard Management Limited</td><td style="text-align: right;">100</td></tr> <tr><td>CT Networks Limited</td><td style="text-align: right;">100</td></tr> <tr><td>D. McGranaghan Limited</td><td style="text-align: right;">100</td></tr> <tr><td>International All Sports Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power (Northern Ireland) Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Australia Pty Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Call Centre Services Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Entertainment Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Financials Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Holdings Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Isle of Man Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Online Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Services Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Power Leisure Bookmakers Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Paddy Power Risk Management Services Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Sportsbet Pty Limited</td><td style="text-align: right;">100</td></tr> <tr><td>Trintech AOOD</td><td style="text-align: right;">100</td></tr> </tbody> </table>	Name	Percentage Ownership Interest	Belgard Management Limited	100	CT Networks Limited	100	D. McGranaghan Limited	100	International All Sports Limited	100	Paddy Power (Northern Ireland) Limited	100	Paddy Power Australia Pty Limited	100	Paddy Power Call Centre Services Limited	100	Paddy Power Entertainment Limited	100	Paddy Power Financials Limited	100	Paddy Power Holdings Limited	100	Paddy Power Isle of Man Limited	100	Paddy Power Online Limited	100	Paddy Power Services Limited	100	Power Leisure Bookmakers Limited	100	Paddy Power Risk Management Services Limited	100	Sportsbet Pty Limited	100	Trintech AOOD	100
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		<p>Betfair</p> <table border="0"> <thead> <tr> <th data-bbox="555 358 612 387"><u>Name</u></th> <th data-bbox="1305 319 1410 387"><u>Percentage Ownership Interest</u></th> </tr> </thead> <tbody> <tr><td>Betfair Casino Limited</td><td align="right">100</td></tr> <tr><td>Betfair Counterparty Services Limited</td><td align="right">100</td></tr> <tr><td>Betfair Entertainment Limited</td><td align="right">100</td></tr> <tr><td>Betfair Games Limited</td><td align="right">100</td></tr> <tr><td>Betfair Holding (Malta) Limited</td><td align="right">100</td></tr> <tr><td>Betfair Interactive US LLC</td><td align="right">100</td></tr> <tr><td>Betfair International Plc</td><td align="right">100</td></tr> <tr><td>Betfair Italia S.R.L.</td><td align="right">100</td></tr> <tr><td>Betfair Limited</td><td align="right">100</td></tr> <tr><td>Betfair Marketing Limited</td><td align="right">100</td></tr> <tr><td>Betfair Poker Holdings Limited</td><td align="right">100</td></tr> <tr><td>HRTV Holdco LLC</td><td align="right">100</td></tr> <tr><td>HRTV, LLC</td><td align="right">100</td></tr> <tr><td>LMAX Limited</td><td align="right">31.35</td></tr> <tr><td>London Multi Asset Exchange (Holdings) Limited</td><td align="right">99.79</td></tr> <tr><td>ODS Holding LLC</td><td align="right">100</td></tr> <tr><td>ODS Properties, Inc.</td><td align="right">100</td></tr> <tr><td>ODS Technologies LP</td><td align="right">100</td></tr> <tr><td>Polco Limited</td><td align="right">100</td></tr> <tr><td>The Rebate Company LLC</td><td align="right">100</td></tr> <tr><td>The Sporting Exchange (Clients) Limited</td><td align="right">100</td></tr> <tr><td>The Sporting Exchange Limited</td><td align="right">100</td></tr> <tr><td>Timeform Limited</td><td align="right">100</td></tr> <tr><td>Trackside Live Productions, LLC</td><td align="right">100</td></tr> <tr><td>Tradefair Spreads Limited</td><td align="right">99.79</td></tr> <tr><td>TSE (Gibraltar) LP</td><td align="right">100</td></tr> <tr><td>TSE (International) Ltd</td><td align="right">100</td></tr> <tr><td>TSE Data Processing Limited</td><td align="right">100</td></tr> <tr><td>TSE Development Limited</td><td align="right">100</td></tr> <tr><td>TSE Development Romania S.R.L.</td><td align="right">100</td></tr> <tr><td>TSE Global Limited</td><td align="right">100</td></tr> <tr><td>TSE Holdings Limited</td><td align="right">100</td></tr> <tr><td>TSE Marketing España, SL</td><td align="right">100</td></tr> <tr><td>TSE Services Limited</td><td align="right">100</td></tr> <tr><td>TSE US Holdings LLC</td><td align="right">100</td></tr> <tr><td>TSE US LLC</td><td align="right">100</td></tr> <tr><td>TSED Unipessoal LDA</td><td align="right">100</td></tr> <tr><td>Winslow Four</td><td align="right">100</td></tr> <tr><td>Winslow One Limited</td><td align="right">100</td></tr> <tr><td>Winslow Three Limited</td><td align="right">100</td></tr> <tr><td>Winslow Two</td><td align="right">100</td></tr> </tbody> </table>	<u>Name</u>	<u>Percentage Ownership Interest</u>	Betfair Casino Limited	100	Betfair Counterparty Services Limited	100	Betfair Entertainment Limited	100	Betfair Games Limited	100	Betfair Holding (Malta) Limited	100	Betfair Interactive US LLC	100	Betfair International Plc	100	Betfair Italia S.R.L.	100	Betfair Limited	100	Betfair Marketing Limited	100	Betfair Poker Holdings Limited	100	HRTV Holdco LLC	100	HRTV, LLC	100	LMAX Limited	31.35	London Multi Asset Exchange (Holdings) Limited	99.79	ODS Holding LLC	100	ODS Properties, Inc.	100	ODS Technologies LP	100	Polco Limited	100	The Rebate Company LLC	100	The Sporting Exchange (Clients) Limited	100	The Sporting Exchange Limited	100	Timeform Limited	100	Trackside Live Productions, LLC	100	Tradefair Spreads Limited	99.79	TSE (Gibraltar) LP	100	TSE (International) Ltd	100	TSE Data Processing Limited	100	TSE Development Limited	100	TSE Development Romania S.R.L.	100	TSE Global Limited	100	TSE Holdings Limited	100	TSE Marketing España, SL	100	TSE Services Limited	100	TSE US Holdings LLC	100	TSE US LLC	100	TSED Unipessoal LDA	100	Winslow Four	100	Winslow One Limited	100	Winslow Three Limited	100	Winslow Two	100
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B.6	Notifiable interests	<p>The Irish Listing Rules require Paddy Power to notify a Regulatory Information Service of particulars of any interest held by any person in 3% or more of the nominal value of any class of shares carrying voting rights. As at the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total issued share capital of Paddy Power:</p> <table border="0"> <thead> <tr> <th><u>Shareholder</u></th> <th><u>Notified holding on Latest Practicable Date</u></th> <th><u>Percentage of total Paddy Power Shares in Issue</u></th> </tr> </thead> <tbody> <tr> <td>The Capital Group Companies Inc.</td> <td align="right">4,210,994</td> <td align="right">9.56%</td> </tr> <tr> <td>BlackRock</td> <td align="right">3,856,045</td> <td align="right">8.75%</td> </tr> <tr> <td>David Power</td> <td align="right">3,472,822</td> <td align="right">7.88%</td> </tr> <tr> <td>Parvus Asset Management</td> <td align="right">2,904,362</td> <td align="right">6.59%</td> </tr> <tr> <td>MFS Investment Management</td> <td align="right">2,820,725</td> <td align="right">6.40%</td> </tr> <tr> <td>Marathon Asset Management LLP</td> <td align="right">1,742,560</td> <td align="right">3.96%</td> </tr> <tr> <td>RBC Global Asset Management Inc.</td> <td align="right">1,409,180</td> <td align="right">3.20%</td> </tr> </tbody> </table> <p>As at the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total issued share capital of Betfair:</p> <table border="0"> <thead> <tr> <th><u>Shareholder</u></th> <th><u>Notified holding on Latest Practicable Date</u></th> <th><u>Percentage of total Betfair Shares in Issue</u></th> </tr> </thead> <tbody> <tr> <td>BlackRock</td> <td align="right">9,972,987</td> <td align="right">10.73%</td> </tr> <tr> <td>MFS Investment Management</td> <td align="right">7,398,001</td> <td align="right">7.96%</td> </tr> <tr> <td>AXA Framlington Investment Managers</td> <td align="right">6,830,829</td> <td align="right">7.35%</td> </tr> <tr> <td>Edward Wray</td> <td align="right">5,850,545</td> <td align="right">6.29%</td> </tr> <tr> <td>The Capital Group Companies Inc.</td> <td align="right">5,695,111</td> <td align="right">6.13%</td> </tr> <tr> <td>Marathon Asset Management LLP</td> <td align="right">4,590,928</td> <td align="right">4.94%</td> </tr> <tr> <td>Parvus Asset Management</td> <td align="right">4,402,975</td> <td align="right">4.74%</td> </tr> <tr> <td>Kames Capital</td> <td align="right">4,007,793</td> <td align="right">4.31%</td> </tr> <tr> <td>Le Peigne SA</td> <td align="right">3,548,550</td> <td align="right">3.82%</td> </tr> <tr> <td>JPMorgan Asset Management</td> <td align="right">2,911,751</td> <td align="right">3.13%</td> </tr> </tbody> </table> <p>The above listed Shareholders do not have different voting rights from the other holders of ordinary shares in Paddy Power and Betfair respectively.</p> <p>At Admission, the interests of the above-mentioned Shareholders in Paddy Power will be diluted following the issue of New Paddy Power Betfair Shares to Betfair Shareholders. Assuming Admission takes place and that there are no other changes to the holdings of the above Shareholders or to the share capital of Paddy Power and Betfair, it is expected that the following persons or groups of persons will hold more than 3% of the total issued share capital in Paddy Power Betfair:</p> <table border="0"> <thead> <tr> <th><u>Shareholder</u></th> <th><u>Expected holding</u></th> <th><u>Percentage of total Paddy Power Betfair Shares in Issue</u></th> </tr> </thead> <tbody> <tr> <td>BlackRock</td> <td align="right">8,098,470</td> <td align="right">9.69%</td> </tr> <tr> <td>The Capital Group Companies Inc.</td> <td align="right">6,633,647</td> <td align="right">7.94%</td> </tr> <tr> <td>MFS Investment Management</td> <td align="right">5,967,773</td> <td align="right">7.14%</td> </tr> <tr> <td>Parvus Asset Management</td> <td align="right">4,777,351</td> <td align="right">5.71%</td> </tr> <tr> <td>Marathon Asset Management LLP</td> <td align="right">3,695,502</td> <td align="right">4.42%</td> </tr> <tr> <td>David Power</td> <td align="right">3,472,822</td> <td align="right">4.15%</td> </tr> <tr> <td>AXA Framlington Investment Managers</td> <td align="right">3,136,645</td> <td align="right">3.75%</td> </tr> </tbody> </table>	<u>Shareholder</u>	<u>Notified holding on Latest Practicable Date</u>	<u>Percentage of total Paddy Power Shares in Issue</u>	The Capital Group Companies Inc.	4,210,994	9.56%	BlackRock	3,856,045	8.75%	David Power	3,472,822	7.88%	Parvus Asset Management	2,904,362	6.59%	MFS Investment Management	2,820,725	6.40%	Marathon Asset Management LLP	1,742,560	3.96%	RBC Global Asset Management Inc.	1,409,180	3.20%	<u>Shareholder</u>	<u>Notified holding on Latest Practicable Date</u>	<u>Percentage of total Betfair Shares in Issue</u>	BlackRock	9,972,987	10.73%	MFS Investment Management	7,398,001	7.96%	AXA Framlington Investment Managers	6,830,829	7.35%	Edward Wray	5,850,545	6.29%	The Capital Group Companies Inc.	5,695,111	6.13%	Marathon Asset Management LLP	4,590,928	4.94%	Parvus Asset Management	4,402,975	4.74%	Kames Capital	4,007,793	4.31%	Le Peigne SA	3,548,550	3.82%	JPMorgan Asset Management	2,911,751	3.13%	<u>Shareholder</u>	<u>Expected holding</u>	<u>Percentage of total Paddy Power Betfair Shares in Issue</u>	BlackRock	8,098,470	9.69%	The Capital Group Companies Inc.	6,633,647	7.94%	MFS Investment Management	5,967,773	7.14%	Parvus Asset Management	4,777,351	5.71%	Marathon Asset Management LLP	3,695,502	4.42%	David Power	3,472,822	4.15%	AXA Framlington Investment Managers	3,136,645	3.75%
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	Different voting rights	<p>Each Paddy Power Share carries one vote at shareholder meetings. As a result, Paddy Power Shareholders with notifiable interests do not have different voting rights to other Paddy Power Shareholders.</p> <p>The New Paddy Power Betfair Shares will carry the same voting rights as the existing Paddy Power Shares.</p>																																																																																									
	Whether the issuer is directly or indirectly owned or controlled and by whom and description of the nature of control	<p>Paddy Power is not aware of any person who, as of the Latest Practicable Date, directly or indirectly, jointly or severally, exercises or could exercise control over Paddy Power nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Paddy Power.</p>																																																																																									
B.7	Key financial information	<p>FINANCIAL INFORMATION ON THE PADDY POWER GROUP</p> <p>Paddy Power derived the financial information as of and for (i) the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012 from the audited consolidated financial statements, and (ii) for the six months ended 30 June 2015 and 30 June 2014 from the unaudited interim results for those periods.</p> <p>The information set forth below is only a summary that should be read together with the historical audited consolidated financial statements of Paddy Power and the related notes and the unaudited interim results of Paddy Power and the related notes. Historical results are not necessarily indicative of any results to be expected in the future.</p> <p>Summarised Consolidated Income Statement</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Six months ended 30 June (unaudited)</th> <th colspan="3">Financial Year ended 31 December</th> </tr> <tr> <th>2015</th> <th>2014</th> <th>2014</th> <th>2013</th> <th>2012</th> </tr> <tr> <th></th> <th>€000</th> <th>€000</th> <th>€000</th> <th>€000</th> <th>€000</th> </tr> </thead> <tbody> <tr> <td>Continuing operations</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Income</td> <td>527,800</td> <td>396,492</td> <td>881,640</td> <td>745,195</td> <td>653,750</td> </tr> <tr> <td>Direct betting costs . .</td> <td>(129,474)</td> <td>(75,895)</td> <td>(167,746)</td> <td>(128,243)</td> <td>(100,197)</td> </tr> <tr> <td>Operating expenses . .</td> <td>(318,266)</td> <td>(260,541)</td> <td>(550,088)</td> <td>(479,566)</td> <td>(417,553)</td> </tr> <tr> <td>Operating profit</td> <td>80,060</td> <td>60,056</td> <td>163,806</td> <td>137,386</td> <td>136,000</td> </tr> <tr> <td>Financial income and expense, net</td> <td>423</td> <td>1,568</td> <td>2,759</td> <td>3,644</td> <td>3,155</td> </tr> <tr> <td>Profit before tax</td> <td>80,483</td> <td>61,624</td> <td>166,565</td> <td>141,030</td> <td>139,155</td> </tr> <tr> <td>Income tax expense . .</td> <td>(12,073)</td> <td>(8,011)</td> <td>(21,656)</td> <td>(17,846)</td> <td>(18,156)</td> </tr> <tr> <td>Profit</td> <td>68,410</td> <td>53,613</td> <td>144,909</td> <td>123,184</td> <td>120,999</td> </tr> <tr> <td>Earnings per share</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Basic</td> <td>€ 1.456</td> <td>€ 1.113</td> <td>€ 3.011</td> <td>€ 2.567</td> <td>€ 2.511</td> </tr> <tr> <td>Diluted</td> <td>€ 1.448</td> <td>€ 1.106</td> <td>€ 2.976</td> <td>€ 2.520</td> <td>€ 2.481</td> </tr> </tbody> </table>		Six months ended 30 June (unaudited)		Financial Year ended 31 December			2015	2014	2014	2013	2012		€000	€000	€000	€000	€000	Continuing operations						Income	527,800	396,492	881,640	745,195	653,750	Direct betting costs . .	(129,474)	(75,895)	(167,746)	(128,243)	(100,197)	Operating expenses . .	(318,266)	(260,541)	(550,088)	(479,566)	(417,553)	Operating profit	80,060	60,056	163,806	137,386	136,000	Financial income and expense, net	423	1,568	2,759	3,644	3,155	Profit before tax	80,483	61,624	166,565	141,030	139,155	Income tax expense . .	(12,073)	(8,011)	(21,656)	(17,846)	(18,156)	Profit	68,410	53,613	144,909	123,184	120,999	Earnings per share						Basic	€ 1.456	€ 1.113	€ 3.011	€ 2.567	€ 2.511	Diluted	€ 1.448	€ 1.106	€ 2.976	€ 2.520	€ 2.481
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expenses	(146.8)	(140.5)	(291.6)	(281.1)	(406.2)	Group Operating profit/(loss) . .	67.2	59.9	94.3	61.6	(69.0)	Analysed as:						Underlying EBITDA	80.5	73.9	120.2	91.1	73.3	Separately disclosed items— restructuring and other	—	—	—	—	(22.1)	EBITDA	80.5	73.9	120.2	91.1	51.2	Separately disclosed items— impairment of goodwill and other intangible assets	—	—	—	—	(82.4)	Depreciation and amortisation	(13.3)	(14.0)	(25.9)	(29.5)	(37.8)	Group Operating profit/(loss) . .	67.2	59.9	94.3	61.6	(69.0)	Profit on disposal of available-for-sale financial assets	—	—	—	—	16.8	Net Financial income/(expense) .	(0.9)	0.9	0.4	0.7	1.4	Profit on disposal of joint venture	—	6.4	6.4	—	—	Share of Profit/(loss) of equity accounted investments	—	0.1	0.1	(1.2)	1.4	Profit/(loss) before tax	66.3	67.3	101.2	61.1	(49.4)	Tax	(10.3)	(9.7)	(14.8)	(10.1)	4.2	(Loss)/profit for the year from continuing operations	56.0	57.6	86.4	51.0	(45.2)	Discontinued operations						Loss for the period/year from discontinued operations, net of tax	—	—	—	—	(21.1)	Profit/(loss) for the period/year .	56.0	57.6	86.4	51.0	(66.3)	Earnings/(loss) per share from continuing operations						Basic	60.3p	55.0p	85.9p	49.0p	(44.4)p	Diluted	58.8p	53.7p	83.7p	48.1p	(44.4)p	Earnings/(loss) per share from continuing and discontinuing operations						Basic	—	—	—	—	(65.1)p	Diluted	—	—	—	—	(65.1)p		Six months ended 31 October (unaudited)		Financial Year ended 30 April				2015	2014	2015	2014	2013		£million	£million	£million	£million	£million	Non-current assets	107.5	66.5	103.6	76.7	89.5	Current Assets	168.3	295.6	128.4	232.8	186.8	Total Assets	275.8	362.1	232.0	309.5	276.3	Total equity	95.2	216.7	49.4	171.4	132.0	Current liabilities	160.6	144.9	162.7	137.4	142.7	Non-current liabilities	20.0	0.5	19.9	0.7	1.6	Total liabilities	180.6	145.4	182.6	138.1	144.3	Total equity and liabilities	275.8	362.1	232.0	309.5	276.3
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Profit on disposal of joint venture	—	6.4	6.4	—	—																																																																																																																																																																																																																																																															
Share of Profit/(loss) of equity accounted investments	—	0.1	0.1	(1.2)	1.4																																																																																																																																																																																																																																																															
Profit/(loss) before tax	66.3	67.3	101.2	61.1	(49.4)																																																																																																																																																																																																																																																															
Tax	(10.3)	(9.7)	(14.8)	(10.1)	4.2																																																																																																																																																																																																																																																															
(Loss)/profit for the year from continuing operations	56.0	57.6	86.4	51.0	(45.2)																																																																																																																																																																																																																																																															
Discontinued operations																																																																																																																																																																																																																																																																				
Loss for the period/year from discontinued operations, net of tax	—	—	—	—	(21.1)																																																																																																																																																																																																																																																															
Profit/(loss) for the period/year .	56.0	57.6	86.4	51.0	(66.3)																																																																																																																																																																																																																																																															
Earnings/(loss) per share from continuing operations																																																																																																																																																																																																																																																																				
Basic	60.3p	55.0p	85.9p	49.0p	(44.4)p																																																																																																																																																																																																																																																															
Diluted	58.8p	53.7p	83.7p	48.1p	(44.4)p																																																																																																																																																																																																																																																															
Earnings/(loss) per share from continuing and discontinuing operations																																																																																																																																																																																																																																																																				
Basic	—	—	—	—	(65.1)p																																																																																																																																																																																																																																																															
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	Six months ended 31 October (unaudited)		Financial Year ended 30 April																																																																																																																																																																																																																																																																	
	2015	2014	2015	2014	2013																																																																																																																																																																																																																																																															
	£million	£million	£million	£million	£million																																																																																																																																																																																																																																																															
Non-current assets	107.5	66.5	103.6	76.7	89.5																																																																																																																																																																																																																																																															
Current Assets	168.3	295.6	128.4	232.8	186.8																																																																																																																																																																																																																																																															
Total Assets	275.8	362.1	232.0	309.5	276.3																																																																																																																																																																																																																																																															
Total equity	95.2	216.7	49.4	171.4	132.0																																																																																																																																																																																																																																																															
Current liabilities	160.6	144.9	162.7	137.4	142.7																																																																																																																																																																																																																																																															
Non-current liabilities	20.0	0.5	19.9	0.7	1.6																																																																																																																																																																																																																																																															
Total liabilities	180.6	145.4	182.6	138.1	144.3																																																																																																																																																																																																																																																															
Total equity and liabilities	275.8	362.1	232.0	309.5	276.3																																																																																																																																																																																																																																																															

Section B—Issuer																																																												
Element	Disclosure requirement	Disclosure																																																										
		<p>Summarised Consolidated Cash Flow Statement</p> <table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">Six months ended 31 October (unaudited)</th> <th colspan="3">Financial Year ended 30 April</th> </tr> <tr> <th>2015</th> <th>2014</th> <th>2015</th> <th>2014</th> <th>2013</th> </tr> <tr> <th>£million</th> <th>£million</th> <th>£million</th> <th>£million</th> <th>£million</th> </tr> </thead> <tbody> <tr> <td>Net cash flows generated from operating activities</td> <td>68.3</td> <td>73.9</td> <td>139.1</td> <td>79.5</td> <td>83.1</td> </tr> <tr> <td>Net cash flows (used in)/from investing activities</td> <td>(10.9)</td> <td>5.3</td> <td>(23.3)</td> <td>(21.5)</td> <td>(42.9)</td> </tr> <tr> <td>Net cash flows used in financing activities</td> <td>(22.9)</td> <td>(16.8)</td> <td>(220.0)</td> <td>(14.3)</td> <td>(7.0)</td> </tr> <tr> <td>Net (decrease)/increase in cash and cash equivalents . .</td> <td>34.5</td> <td>62.4</td> <td>(104.2)</td> <td>43.7</td> <td>33.2</td> </tr> <tr> <td>Cash and cash equivalents at the beginning of the period/year</td> <td>105.1</td> <td>209.8</td> <td>209.8</td> <td>168.1</td> <td>135.4</td> </tr> <tr> <td>Effect of exchange rate fluctuations on cash held . .</td> <td>(0.2)</td> <td>(0.8)</td> <td>(0.5)</td> <td>(2.0)</td> <td>(0.5)</td> </tr> <tr> <td>Cash and cash equivalents at period/year end</td> <td>139.4</td> <td>271.4</td> <td>105.1</td> <td>209.8</td> <td>168.1</td> </tr> </tbody> </table>		Six months ended 31 October (unaudited)		Financial Year ended 30 April			2015	2014	2015	2014	2013	£million	£million	£million	£million	£million	Net cash flows generated from operating activities	68.3	73.9	139.1	79.5	83.1	Net cash flows (used in)/from investing activities	(10.9)	5.3	(23.3)	(21.5)	(42.9)	Net cash flows used in financing activities	(22.9)	(16.8)	(220.0)	(14.3)	(7.0)	Net (decrease)/increase in cash and cash equivalents . .	34.5	62.4	(104.2)	43.7	33.2	Cash and cash equivalents at the beginning of the period/year	105.1	209.8	209.8	168.1	135.4	Effect of exchange rate fluctuations on cash held . .	(0.2)	(0.8)	(0.5)	(2.0)	(0.5)	Cash and cash equivalents at period/year end	139.4	271.4	105.1	209.8	168.1
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Net cash flows generated from operating activities	68.3	73.9	139.1	79.5	83.1																																																							
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Net (decrease)/increase in cash and cash equivalents . .	34.5	62.4	(104.2)	43.7	33.2																																																							
Cash and cash equivalents at the beginning of the period/year	105.1	209.8	209.8	168.1	135.4																																																							
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Cash and cash equivalents at period/year end	139.4	271.4	105.1	209.8	168.1																																																							
B.8	Key pro-forma financial information	<p>Set out below is the pro forma income statement of the Combined Group for the year ended 31 December 2014 and the pro forma statement of net assets of the Combined Group as at 31 December 2014 (the “pro forma financial information”).</p> <p>The unaudited pro forma income statement of the Combined Group has been prepared to illustrate the effect of the Merger on the earnings of the Paddy Power Group as if the Merger had taken place on 1 January 2014.</p> <p>The unaudited pro forma statement of net assets of the Combined Group has been prepared to illustrate the effect of the Merger and payment of the Special Dividend by Paddy Power on the consolidated net assets of the Paddy Power Group as at 31 December 2014 as if the Merger and the Special Dividend payment had taken place on that date.</p> <p>The pro forma financial information has been prepared on the basis set out in the notes below and is based on the audited income statement and balance sheet of Paddy Power for the year ended 31 December 2014 and the audited income statement and balance sheet of Betfair for the year ended 30 April 2015.</p> <p>The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Paddy Power Group’s actual financial position or results.</p> <p>The pro forma financial information has been prepared in accordance with the requirements of items 1 to 6 of Annex II of the EU Prospectus Regulation has been prepared in a manner consistent with the accounting policies of the Paddy Power Group for the financial period ended 31 December 2014.</p>																																																										

Section B—Issuer

Element	Disclosure requirement	Disclosure																																																																																																																																																																																																																																																																			
		<p>Unaudited pro forma statement of net assets of the Combined Group as at 31 December 2014</p> <table border="1"> <thead> <tr> <th></th> <th>Paddy Power as at 31 December 2014</th> <th>Paddy Power as at 31 December 2014</th> <th>Betfair as at 30 April 2015</th> <th colspan="2">Pro forma adjustments</th> <th>Pro Forma statement of net assets of Paddy Power Betfair</th> </tr> <tr> <th></th> <th>€m</th> <th>€m</th> <th>€m</th> <th>Cost of transaction</th> <th>Special dividend</th> <th>€m</th> </tr> <tr> <th></th> <th>Note 1</th> <th>Note 1</th> <th>Note 2</th> <th>€m</th> <th>€m</th> <th>€m</th> </tr> <tr> <th></th> <th>Note 3</th> <th>Note 4</th> <th></th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="7">Assets</td> </tr> <tr> <td colspan="7">Non-current assets</td> </tr> <tr> <td>Property plant and equipment</td> <td>126.7</td> <td>93.6</td> <td>14.8</td> <td></td> <td></td> <td>108.4</td> </tr> <tr> <td>Intangible assets</td> <td>76.4</td> <td>56.4</td> <td>58.1</td> <td></td> <td></td> <td>114.5</td> </tr> <tr> <td>Goodwill</td> <td>102.8</td> <td>75.9</td> <td>25.1</td> <td></td> <td></td> <td>101.0</td> </tr> <tr> <td>Deferred tax assets</td> <td>8.3</td> <td>6.1</td> <td>4.2</td> <td></td> <td></td> <td>10.3</td> </tr> <tr> <td>Trade and other receivable</td> <td>2.0</td> <td>1.5</td> <td>—</td> <td></td> <td></td> <td>1.5</td> </tr> <tr> <td>Investments</td> <td>—</td> <td>—</td> <td>0.1</td> <td></td> <td></td> <td>0.1</td> </tr> <tr> <td>Available-for-sale</td> <td>—</td> <td>—</td> <td>1.3</td> <td></td> <td></td> <td>1.3</td> </tr> <tr> <td>Total non-current assets</td> <td>316.2</td> <td>233.5</td> <td>103.6</td> <td>—</td> <td>—</td> <td>337.1</td> </tr> <tr> <td colspan="7">Current assets</td> </tr> <tr> <td>Trade and other receivables</td> <td>32.4</td> <td>23.9</td> <td>23.3</td> <td></td> <td></td> <td>47.2</td> </tr> <tr> <td>Financial assets—restricted cash</td> <td>39.2</td> <td>29.0</td> <td>—</td> <td></td> <td></td> <td>29.0</td> </tr> <tr> <td>Financial assets—deposits</td> <td>19.3</td> <td>14.3</td> <td>—</td> <td></td> <td></td> <td>14.3</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>226.5</td> <td>167.3</td> <td>105.1</td> <td>(45.4)</td> <td>(59.1)</td> <td>167.9</td> </tr> <tr> <td>Total current assets</td> <td>317.4</td> <td>234.5</td> <td>128.4</td> <td>(45.4)</td> <td>(59.1)</td> <td>258.4</td> </tr> <tr> <td>Total assets</td> <td>633.6</td> <td>468.0</td> <td>232.0</td> <td>(45.4)</td> <td>(59.1)</td> <td>595.5</td> </tr> <tr> <td colspan="7">Current liabilities</td> </tr> <tr> <td>Trade and other payables</td> <td>201.4</td> <td>148.8</td> <td>128.1</td> <td></td> <td></td> <td>276.9</td> </tr> <tr> <td>Derivative financial liabilities</td> <td>17.0</td> <td>12.5</td> <td>—</td> <td></td> <td></td> <td>12.5</td> </tr> <tr> <td>Provisions</td> <td>0.5</td> <td>0.4</td> <td>5.1</td> <td></td> <td></td> <td>5.5</td> </tr> <tr> <td>Current tax payable</td> <td>17.4</td> 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<td>—</td> <td>27.5</td> </tr> <tr> <td>Total liabilities</td> <td>246.6</td> <td>182.1</td> <td>182.6</td> <td>—</td> <td>—</td> <td>364.7</td> </tr> <tr> <td>Net assets/(liabilities)</td> <td>387.0</td> <td>285.9</td> <td>49.4</td> <td>(45.4)</td> <td>(59.1)</td> <td>230.8</td> </tr> </tbody> </table>		Paddy Power as at 31 December 2014	Paddy Power as at 31 December 2014	Betfair as at 30 April 2015	Pro forma adjustments		Pro Forma statement of net assets of Paddy Power Betfair		€m	€m	€m	Cost of transaction	Special dividend	€m		Note 1	Note 1	Note 2	€m	€m	€m		Note 3	Note 4					Assets							Non-current assets							Property plant and equipment	126.7	93.6	14.8			108.4	Intangible assets	76.4	56.4	58.1			114.5	Goodwill	102.8	75.9	25.1			101.0	Deferred tax assets	8.3	6.1	4.2			10.3	Trade and other receivable	2.0	1.5	—			1.5	Investments	—	—	0.1			0.1	Available-for-sale	—	—	1.3			1.3	Total non-current assets	316.2	233.5	103.6	—	—	337.1	Current assets							Trade and other receivables	32.4	23.9	23.3			47.2	Financial assets—restricted cash	39.2	29.0	—			29.0	Financial assets—deposits	19.3	14.3	—			14.3	Cash and cash equivalents	226.5	167.3	105.1	(45.4)	(59.1)	167.9	Total current assets	317.4	234.5	128.4	(45.4)	(59.1)	258.4	Total assets	633.6	468.0	232.0	(45.4)	(59.1)	595.5	Current liabilities							Trade and other payables	201.4	148.8	128.1			276.9	Derivative financial liabilities	17.0	12.5	—			12.5	Provisions	0.5	0.4	5.1			5.5	Current tax payable	17.4	12.8	29.5			42.3	Borrowings	—	—	—			—	Total current liabilities	236.3	174.5	162.7	—	—	337.2	Non-current liabilities							Trade and other payables	5.8	4.3	19.5			23.8	Provisions	1.2	0.9	0.4			1.3	Deferred tax liabilities	3.2	2.3	—			2.3	Borrowings	—	—	—			—	Derivative financial liabilities	0.1	0.1	—			0.1	Total non-current liabilities	10.3	7.6	19.9	—	—	27.5	Total liabilities	246.6	182.1	182.6	—	—	364.7	Net assets/(liabilities)	387.0	285.9	49.4	(45.4)	(59.1)	230.8
	Paddy Power as at 31 December 2014	Paddy Power as at 31 December 2014	Betfair as at 30 April 2015	Pro forma adjustments		Pro Forma statement of net assets of Paddy Power Betfair																																																																																																																																																																																																																																																															
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		<p>Notes to the unaudited pro forma statement of net assets of the Combined Group:</p> <ol style="list-style-type: none"> The net assets of the Paddy Power Group have been extracted without adjustment from the audited balance sheet as at 31 December 2014 as published in the Paddy Power Group's annual report dated 2 March 2015 and converted to pounds sterling at €1.35382:£1. The Betfair Group net assets have been extracted without adjustment from the audited balance sheet as at 30 April 2015 as published in the Betfair Group's annual report dated 17 June 2015. For comparative purposes Goodwill has been set out separately from Intangible assets. 																																																																																																																																																																																																																																																																			

Section B—Issuer

Element	Disclosure requirement	Disclosure																																																																																																																																
		<p>3. Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1). In addition stamp duty of £15.7 million (€21.3 million converted at €1.35382:£1) is estimated to be payable by Paddy Power Group on issue of shares.</p> <p>4. As part of the Merger it is proposed that a special dividend of €80 million (£59.1 million converted at €1.35382:£1) will be paid to the Paddy Power Shareholders who are on the register of members of Paddy Power on the business day prior to Completion.</p> <p>Unaudited pro forma income statement of the Combined Group for the year ended 31 December 2014</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="3"></th> <th style="text-align: center;">Income statement of Paddy Power for the year ended 31 December 2014</th> <th style="text-align: center;">Income statement of Paddy Power for the year ended 31 December 2014</th> <th colspan="2" style="text-align: center;">Pro forma adjustments</th> <th rowspan="3" style="text-align: center;">Pro forma income statement for Paddy Power Betfair</th> </tr> <tr> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">Income statement of Betfair 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The Paddy Power Group income statement has been extracted, without adjustment, from the audited financial statements of the Paddy Power Group for the year ended 31 December 2014 and converted to pounds sterling at €1.35382:£1.</p> <p>6. The Betfair Group income statement has been extracted, without adjustment, from the audited financial statements of the Betfair Group for the year ended 30 April 2015.</p> <p>7. Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1).</p> <p>8. No adjustment has been made to the unaudited pro forma income statement to reflect trading results of Paddy Power since 31 December 2014 or Betfair since 30 April 2015. Neither has any adjustment been made for any synergies, or related costs to achieve (which will be incurred post Completion of the Merger), which are anticipated to result from the Merger.</p>		Income statement of Paddy Power for the year ended 31 December 2014	Income statement of Paddy Power for the year ended 31 December 2014	Pro forma adjustments		Pro forma income statement for Paddy Power Betfair	£m	£m	Income statement of Betfair for the year ended 30 April 2015	Cost of transaction	Note 5	Note 5	Note 6	Note 7	Income	881.6	651.2	476.5		1,127.7	Direct betting costs	(167.7)	(123.9)	(90.6)		(214.5)	Gross profit	713.9	527.3	385.9	—	913.2	Employee expenses	(257.3)	(190.1)	—	—	(190.1)	Property expenses	(58.4)	(43.1)	—	—	(43.1)	Marketing expenses	(100.9)	(74.5)	—	—	(74.5)	Technology and communication expenses	(48.6)	(35.9)	—	—	(35.9)	Depreciation and amortisation	(48.0)	(35.4)	—	—	(35.4)	Other expenses, net	(36.9)	(27.3)	—	(29.7)	(57.0)	Administrative expenses	—	—	(291.6)	—	(291.6)	Total operating expenses	(550.1)	(406.3)	(291.6)	(29.7)	(727.6)	Operating profit	163.8	121.0	94.3	(29.7)	185.6	Finance income	2.9	2.1	1.1		3.2	Finance expense	(0.2)	(0.1)	(0.7)		(0.8)	Profit on disposal of joint venture	—	—	6.4		6.4	Share of profit/(loss) of equity accounted investments	—	—	0.1		0.1	Profit before tax	166.5	123.0	101.2	(29.7)	194.5	Income tax expense	(21.7)	(16.0)	(14.8)		(30.8)	Profit for year	144.8	107.0	86.4	(29.7)	163.7
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Section B—Issuer		
Element	Disclosure requirement	Disclosure
B.9	Profit forecast	A profit forecast was made in the Paddy Power 2015 Interim Results Announcement. This was updated in the Paddy Power November 2015 Interim Management Statement which stated: “ <i>the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014</i> ”.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications in the audit reports or the historical financial information of Paddy Power which are incorporated by reference herein.
B.11	Working capital	<p>Not applicable.</p> <p>Paddy Power is, and the Paddy Power Directors are, of the opinion that, taking into account Paddy Power’s cash resources and available bank facilities, Paddy Power has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.</p> <p>Paddy Power is, and the Paddy Power Directors and Proposed Directors are, of the opinion that, taking into account the Combined Group’s cash resources and available bank facilities, the Combined Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.</p>

Section C—Securities		
Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	<p>The securities in respect of which Admission is being sought are ordinary shares of €0.09 each in the capital of Paddy Power. The Ordinary Shares are in registered form and are capable of being held in uncertificated form. The ISIN number of the New Paddy Power Betfair Shares will be IE00BWT64894. There will be no application for any other class of shares of Paddy Power to be Admitted.</p> <p>The New Paddy Power Betfair Shares will be issued under the Companies Acts.</p>
C.2	Currency of the securities issue	The New Paddy Power Betfair Shares will be denominated in Euro.
C.3	Number and nominal value of securities to be issued	Paddy Power is applying for up to 39,542,456 New Paddy Power Betfair Shares to be Admitted. On Admission, Paddy Power will have in issue 83,597,053 Ordinary Shares of €0.09 each, all of which will be issued fully paid.
C.4	Description of the rights attaching to the securities	<p>Holders of Ordinary Shares are entitled to vote at general meetings of Paddy Power on a one vote per share held basis. The Ordinary Shares, which following Admission will include the New Paddy Power Betfair Shares, will rank pari passu in all respects with each other and will rank in full for all dividends and other distributions thereafter declared, made or paid in respect of the Ordinary Shares after the Effective Date (save, for the avoidance of doubt, the Special Dividend).</p>

Section C—Securities		
Element	Disclosure requirement	Disclosure
		<p>The provisions of section 1022 of the Companies Act confer on Paddy Power Shareholders certain rights of pre-emption in respect of the allotment of equity securities for cash and apply to the authorised but unissued equity share capital of Paddy Power. These provisions were disapplied in limited circumstances by Paddy Power pursuant to a special resolution dated 14 May 2015.</p>
C.5	Restrictions on the free transferability of the securities	<p>There are no agreements between Shareholders that are known to Paddy Power that may result in restrictions on the transfer of securities or on voting rights.</p> <p>Under the Articles, the Paddy Power Directors may, in their absolute discretion and without assigning any reason therefore, decline to register:</p> <ul style="list-style-type: none"> (i) any transfer of an Ordinary Share which is not fully paid; or (ii) any transfer to or by a minor or person of unsound mind, <p>but this shall not apply to a transfer of such an Ordinary Share resulting from a sale of the share through a stock exchange on which the Ordinary Share is listed.</p> <p>Under the Articles, the Paddy Power Directors may decline to recognise any instrument of transfer unless the instrument of transfer is:</p> <ul style="list-style-type: none"> (i) accompanied by the certificate of the shares to which it relates and such other evidence as the Paddy Power Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of one class of share only; (iii) in favour of not more than four transferees; and (iv) lodged at the registered office of Paddy Power or at such other place as the Paddy Power Directors may appoint. <p>The Paddy Power Directors may decline to register any transfer of shares in uncertificated form only in such circumstances as may be permitted or required by the 1996 Regulations.</p> <p>In addition to any other right or power of Paddy Power under the Companies Acts and under the Articles, the Paddy Power Directors may at any time give a shareholder a notice requiring that shareholder to notify Paddy Power Directors of his interest in any Ordinary Shares and where a shareholder fails to comply such notice or any notice served under the Companies Acts, the Paddy Power Directors may serve a further notice on the relevant shareholder directing that, amongst other things where the relevant Ordinary Shares represent at least 0.25% of the issued share capital of that class, save in specified circumstances, no transfer of any such shares shall be registered.</p>

Section C—Securities		
Element	Disclosure requirement	Disclosure
C.6	Admission	Applications will be made to the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange respectively for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and on the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange’s main market for listed securities and the Irish Stock Exchange’s Main Securities Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Paddy Power Betfair Shares will commence on the London Stock Exchange and the Irish Stock Exchange at 8.00 a.m. on or shortly after the Effective Date.
C.7	Dividends and Dividend policy	Following Completion, Paddy Power Betfair intends to adopt a progressive dividend policy consistent with the Combined Group’s enhanced growth strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the Paddy Power Betfair Board will target a payout ratio of approximately 50% of the Combined Group’s profit after tax.

Section D—Risks		
Element	Disclosure requirement	Disclosure
D.1	Key information on the risks specific to the issuer or its industry	<p>Prior to investing in the Ordinary Shares, prospective investors should consider the risks associated therewith. The risks relating to Paddy Power and, following Admission, Paddy Power Betfair and/or its industry, include the following:</p> <ol style="list-style-type: none"> 1. the Completion of the Merger is subject to various conditions precedent; 2. there are risks associated with the integration of Paddy Power and Betfair; 3. the Combined Group may not realise the anticipated benefits of the Merger; 4. the Combined Group may be unsuccessful in the implementation of future acquisitions, joint ventures or alliances in existing jurisdictions; 5. rights to terminate upon a change-of-control of Betfair in Betfair’s contracts may be exercised by counterparties in connection with the Merger; 6. the Combined Group will incur significant Merger-related costs; 7. management distraction or overstretch in connection with the Merger could have an adverse effect on the business of the Combined Group; 8. the worsening of general economic conditions could adversely affect the Combined Group’s customer activity levels and its financial performance; 9. aspects of the Combined Group’s business will depend on the scheduling and live broadcasting of major sporting events;

Section D—Risks

Element	Disclosure requirement	Disclosure
		<p>10. a significant amount of the Combined Group’s revenue is derived from jurisdictions where no regulatory framework exists and the approach to the regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction;</p> <p>11. the success of Betfair’s Betting Exchange depends upon maintaining liquidity;</p> <p>12. the Combined Group’s success may depend on the maintenance, development and enhancement of its brands;</p> <p>13. the Combined Group’s success may depend on the effectiveness of its marketing;</p> <p>14. the Combined Group may experience gross win percentages below its expectations, particularly over shorter periods of time;</p> <p>15. the Combined Group will depend on technology and advanced information systems, which may fail or be subject to disruption;</p> <p>16. the Combined Group’s ability to develop new markets may be adversely impacted by reduced levels of broadband access, access to mobile phone networks and internet penetration;</p> <p>17. significant resources may be required to protect the Combined Group against network failure and disruption;</p> <p>18. failure to adequately protect customer account information;</p> <p>19. the development and launch of new products or new technologies may not be achieved in a timely manner or at all and such products or technologies may not be successful;</p> <p>20. the Combined Group’s competitors may implement new technologies before the Combined Group is able to do so, or may implement them in a more appealing way;</p> <p>21. demand for the Combined Group’s products may be adversely affected by changes in consumer behaviour or preferences;</p> <p>22. the Combined Group’s efforts to expand its customer base in new geographic markets may not be successful;</p> <p>23. the Combined Group will be exposed to the risk of competition;</p> <p>24. the Combined Group may face difficulties in protecting its intellectual property;</p> <p>25. the Combined Group may face claims alleging infringement of intellectual property rights held by others;</p> <p>26. the Combined Group may face, or be required to make, litigation claims in the future;</p> <p>27. the loss of certain key members of the Combined Group’s senior management team and staff could have adverse consequences on the Combined Group;</p> <p>28. a failure to deliver on business-to-business obligations or deterioration in a business-to-business relationship could adversely affect the development of the Combined Group’s activities;</p>

Section D—Risks		
Element	Disclosure requirement	Disclosure
		<p>29. the Combined Group depends on high standards of payment processing;</p> <p>30. Paddy Power and Betfair are, and the Combined Group will be, exposed to the risk of customer chargebacks;</p> <p>31. the Combined Group will be exposed to foreign exchange rate and interest rate fluctuations;</p> <p>32. funds held in accounts with third party banking institutions may be subject to superior competing claims;</p> <p>33. guarantees provided under licences may be called upon;</p> <p>34. Paddy Power has significant operating lease commitments in relation to its licensed betting offices;</p> <p>35. risk of increased payment obligations to racing and sporting bodies;</p> <p>36. adverse changes to the taxation of betting and gaming or the imposition of statutory levies or other duties or charges could materially and adversely affect the operations, financial performance and prospects of the Combined Group;</p> <p>37. risk of disproportionate liability following changes in taxation law relating to the Combined Group's operations;</p> <p>38. a challenge to the Combined Group's tax policies could have a material impact on the amount of tax payable by the Combined Group;</p> <p>39. the receipt and holding of customer funds could be regarded as deposit-taking business;</p> <p>40. the regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction, is subject to uncertainties in many jurisdictions and the approach to enforcement varies from jurisdiction to jurisdiction;</p> <p>41. there have been, and continue to be, various attempts in the European Union to apply domestic criminal and administrative laws to prevent online betting and gaming operators licensed in other Member States from operating in or providing services to customers within their territory; the case law of the CJEU on this issue continues to evolve and the reactions of the governments of Member States creates uncertainty for online gaming operators;</p> <p>42. adverse changes to the regulation of online betting and gaming or the interpretation thereof by regulators could materially adversely affect the Combined Group;</p> <p>43. the clarification of the regulation of online betting and gaming may restrict the Combined Group's ability to continue to operate in its existing and future markets and may lead to increased competition;</p> <p>44. the Combined Group faces the risk of loss, revocation, non-renewal or change in the terms of its gaming licences;</p> <p>45. if regulatory authorities take actions against customers, this could reduce the demand for the Combined Group's betting and gaming offerings;</p>

Section D—Risks		
Element	Disclosure requirement	Disclosure
		<p>46. uncertainty as to the legality of online gaming may deter third-party suppliers from dealing with the Combined Group;</p> <p>47. the Combined Group’s systems and controls to restrict access to its products may not be adequate;</p> <p>48. negative publicity about, or the Combined Group’s failure to control, problem and underage betting and gaming, fraud, corruption in sport, money laundering or other fraudulent activities;</p> <p>49. online betting and gaming contracts may be unenforceable;</p> <p>50. the Combined Group may be exposed to contractual claims arising from regulatory action;</p> <p>51. money laundering regulations and anti-corruption laws may increase the costs of compliance and/or limit or restrict the Combined Group’s ability to do business; and</p> <p>52. shareholders may be subject to voting or distribution restrictions on, or be required to dispose of, their interests in Ordinary Shares as a result of the regulatory requirements to which Paddy Power and Betfair are, and the Combined Group will be, subject.</p>
D.3	Key information on the risks specific to the securities	<p>Prior to investing in the Ordinary Shares, prospective investors should consider the risks associated therewith. The risks relating to interests in New Paddy Power Betfair Shares, include the following:</p> <p>53. the share price of the New Paddy Power Betfair Shares could be subject to significant fluctuations;</p> <p>54. any future non pre-emptive Ordinary Share issues would dilute holders of Ordinary Shares;</p> <p>55. the ability of shareholders outside Ireland to enforce their pre-emption or other rights may be restricted by the securities laws of other jurisdictions; and</p> <p>56. the dividend policy of Paddy Power Betfair will be dependent on the financial condition of the Combined Group.</p>

Section E—Offer		
Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the issue	<p>Paddy Power is not offering any New Paddy Power Betfair Shares for cash and therefore will not receive any cash proceeds in respect of the issue of such New Paddy Power Betfair Shares in connection with the Merger.</p> <p>The total expenses incurred by Paddy Power in connection with the issue and the listing of the New Paddy Power Betfair Shares on the London Stock Exchange and the Irish Stock Exchange are estimated to be €18.4 million (inclusive of VAT) excluding stamp duty.</p>
E.2A	Reason for issue, use of proceeds and net amount of proceeds	<p>Not applicable. There is no offer of Paddy Power Shares. This Prospectus and the Merger does not constitute an offer or invitation to any person to subscribe for or purchase any shares in Paddy Power or Betfair. None of Paddy Power, Betfair or Paddy Power Betfair will receive any proceeds as a result of the Merger.</p>

Section E—Offer		
Element	Disclosure requirement	Disclosure
		<p>The Merger will be effected by way of a Court-sanctioned scheme of arrangement of Betfair under Part 26 of the UK Companies Act pursuant to which Paddy Power will acquire the entire issued and to be issued ordinary share capital of Betfair. It is proposed that Paddy Power will be renamed “Paddy Power Betfair plc”.</p> <p>The Merger will create one of the world’s largest public online betting and gaming companies by revenue with enlarged scale, capability and distinctive complementary brands. The Board of Paddy Power believes the Merger provides a compelling strategic fit for Paddy Power.</p>
E.3	Terms and conditions of the issue	<p>Not applicable. There is no offer of Paddy Power Shares.</p> <p>This Prospectus and the Merger does not constitute an offer or invitation to any person to subscribe for or purchase any shares in Paddy Power or Betfair. None of Paddy Power, Betfair or Paddy Power Betfair will receive any proceeds as a result of the Merger.</p> <p>Under the terms of the Merger, which will be subject to the Conditions, Betfair Shareholders will be entitled to receive 0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share. In addition, immediately prior to Completion, Paddy Power Shareholders will receive a special dividend of €80 million. The Special Dividend, which will be conditional upon the Merger becoming Effective, will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the business day prior to Completion.</p> <p>The Merger is subject to the Conditions and certain further terms and will only become Effective if, among other things, the following events occur on or before the Long Stop Date:</p> <ol style="list-style-type: none"> 1. the Court Meeting and the Betfair General Meeting being held on or before the 22nd day after the expected date of such meetings (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow); 2. the approval of the Scheme by a majority in number representing not less than 75% in value of the Betfair Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof); 3. the approval of, amongst other things, such of the Betfair Resolutions as are necessary to implement the Merger by the requisite majorities of Betfair Shareholders at the Betfair General Meeting (or any adjournment thereof); 4. the Scheme being sanctioned by the Court (with or without modification, on terms agreed by Paddy Power and Betfair) on or before the 22nd day after the expected date of the Court Hearing to sanction the Scheme (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow); 5. the Scheme becoming unconditional and effective no later than the Long Stop Date (or such later date as Paddy Power and Betfair may, with the consent of the Panel, agree and (if required) the Court may allow) and the delivery of the office copy of the Court Order to the Registrar of Companies; 6. all relevant anti-trust approvals being obtained;

Section E—Offer

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		<p>7. approval of such of the Paddy Power Resolutions as are necessary to implement the Merger by the requisite majorities of Paddy Power Shareholders at the Paddy Power EGM (or any adjournment thereof); and</p> <p>8. the UK Listing Authority, the London Stock Exchange and Irish Stock Exchange having acknowledged to Paddy Power or its agent that the application for Admission of the New Paddy Power Betfair Shares has been approved and the Irish Stock Exchange and the London Stock Exchange acknowledging to Paddy Power Betfair that the New Paddy Power Betfair Shares will be Admitted.</p>																																																															
E.4	Material interests/ conflicting interests	<p>As the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total issued share capital of Paddy Power:</p> <table border="0"> <thead> <tr> <th></th> <th align="right">Notified holding on Latest Practicable Date</th> <th align="right">Percentage of total Paddy Power Shares in Issue</th> </tr> </thead> <tbody> <tr> <td colspan="3">Shareholder</td> </tr> <tr> <td>The Capital Group Companies Inc.</td> <td align="right">4,210,994</td> <td align="right">9.56%</td> </tr> <tr> <td>BlackRock</td> <td align="right">3,856,045</td> <td align="right">8.75%</td> </tr> <tr> <td>David Power</td> <td align="right">3,472,822</td> <td align="right">7.88%</td> </tr> <tr> <td>Parvus Asset Management</td> <td align="right">2,904,362</td> <td align="right">6.59%</td> </tr> <tr> <td>MFS Investment Management</td> <td align="right">2,820,725</td> <td align="right">6.40%</td> </tr> <tr> <td>Marathon Asset Management LLP</td> <td align="right">1,742,560</td> <td align="right">3.96%</td> </tr> <tr> <td>RBC Global Asset Management Inc.</td> <td align="right">1,409,180</td> <td align="right">3.20%</td> </tr> </tbody> </table> <p>As of the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total issued share capital of Betfair:</p> <table border="0"> <thead> <tr> <th></th> <th align="right">Notified holding on Latest Practicable Date</th> <th align="right">Percentage of total Beffair Shares in Issue</th> </tr> </thead> <tbody> <tr> <td colspan="3">Shareholder</td> </tr> <tr> <td>BlackRock</td> <td align="right">9,972,987</td> <td align="right">10.73%</td> </tr> <tr> <td>MFS Investment Management</td> <td align="right">7,398,001</td> <td align="right">7.96%</td> </tr> <tr> <td>AXA Framlington Investment Managers</td> <td align="right">6,830,829</td> <td align="right">7.35%</td> </tr> <tr> <td>Edward Wray</td> <td align="right">5,850,545</td> <td align="right">6.29%</td> </tr> <tr> <td>The Capital Group Companies Inc.</td> <td align="right">5,695,111</td> <td align="right">6.13%</td> </tr> <tr> <td>Marathon Asset Management LLP</td> <td align="right">4,590,928</td> <td align="right">4.94%</td> </tr> <tr> <td>Parvus Asset Management</td> <td align="right">4,402,975</td> <td align="right">4.74%</td> </tr> <tr> <td>Kames Capital</td> <td align="right">4,007,793</td> <td align="right">4.31%</td> </tr> <tr> <td>Le Peigne SA</td> <td align="right">3,548,550</td> <td align="right">3.82%</td> </tr> <tr> <td>JPMorgan Asset Management</td> <td align="right">2,911,751</td> <td align="right">3.13%</td> </tr> </tbody> </table>		Notified holding on Latest Practicable Date	Percentage of total Paddy Power Shares in Issue	Shareholder			The Capital Group Companies Inc.	4,210,994	9.56%	BlackRock	3,856,045	8.75%	David Power	3,472,822	7.88%	Parvus Asset Management	2,904,362	6.59%	MFS Investment Management	2,820,725	6.40%	Marathon Asset Management LLP	1,742,560	3.96%	RBC Global Asset Management Inc.	1,409,180	3.20%		Notified holding on Latest Practicable Date	Percentage of total Beffair Shares in Issue	Shareholder			BlackRock	9,972,987	10.73%	MFS Investment Management	7,398,001	7.96%	AXA Framlington Investment Managers	6,830,829	7.35%	Edward Wray	5,850,545	6.29%	The Capital Group Companies Inc.	5,695,111	6.13%	Marathon Asset Management LLP	4,590,928	4.94%	Parvus Asset Management	4,402,975	4.74%	Kames Capital	4,007,793	4.31%	Le Peigne SA	3,548,550	3.82%	JPMorgan Asset Management	2,911,751	3.13%
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		Save as disclosed above, no other person involved in the Merger or Admission has an interest, including a conflicting interest, which is material to the Merger or Admission.
<i>E.5</i>	Name of person selling securities	Not applicable: No securities are being sold in connection with the Merger and there are no lock-up agreements in place relating to the Paddy Power Shares or the New Paddy Power Betfair Shares.
<i>E.6</i>	Dilution	Subject to Completion, it is expected that up to 39,542,456 New Paddy Power Betfair Shares will be issued to Betfair Shareholders. This will result in Paddy Power's issued share capital increasing by 89.76% and the Paddy Power Shareholders (who currently own 100% of the issued share capital of Paddy Power) suffering immediate dilution as a result of the Merger following which they will hold 52% of Paddy Power Betfair and the Betfair Shareholders will hold 48% of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.
<i>E.7</i>	Estimated expenses charged to the investor by the issuer or the offeror	Not applicable. There are no commissions, fees or expenses to be charged to investors by Paddy Power.

RISK FACTORS

A number of factors affect the operating results, financial condition and prospects of Paddy Power and Betfair, and are expected to affect the Combined Group after Completion. The risks and uncertainties set out below, which are not set out in any order of priority, represent those risks known to the Paddy Power Directors and the Proposed Directors as at the date of this Prospectus and include those risks relating to the Merger known to the Paddy Power Directors and the Proposed Directors as at the date of this Prospectus, in each case which the Paddy Power Directors and the Proposed Directors consider to be material. However, the risks and uncertainties set out below do not purport to be a complete list or explanation of all the risks and uncertainties facing Paddy Power and Betfair, and which will face the Combined Group after Completion. Additional risks and uncertainties not currently known to the Paddy Power Directors or the Proposed Directors, or that they currently deem immaterial, may also have a material adverse effect on the business of Paddy Power and Betfair, and on the business of the Combined Group in the future. If any, or a combination, of these risks, occurs, the business, the financial condition, results of operations and prospects of Paddy Power and Betfair, and, after Completion, the Combined Group could be materially and adversely affected. In such case, the price of Ordinary Shares may decline and investors could lose all or part of their investment.

RISKS RELATING TO THE MERGER AND POTENTIAL FUTURE ACQUISITIONS

1. *The Completion of the Merger is subject to various conditions precedent*

Completion of the Merger is subject to the fulfilment or waiver of various conditions precedent as set out in the Scheme Document and described in more detail in paragraph 5 of Part I (*Information on the Merger*) of this Prospectus, including the receipt of all required regulatory, anti-trust, court and shareholder approvals. There can be no assurance that the Merger will be completed as proposed or at all.

The regulatory approval processes and/or the anti-trust clearance processes may take a lengthy period of time to complete, which could delay Completion. The relevant anti-trust authorities may impose conditions on Completion, such as the divestiture of certain business and assets of Paddy Power or Betfair, or require changes to the terms of the Merger. The terms and conditions of approvals that are granted may impose additional requirements, limitations or costs on the business of the Combined Group. There can be no assurance that these conditions or undertakings will not materially limit the revenues of the Combined Group, increase the costs of the Combined Group, reduce the ability of the Combined Group to achieve cost synergies or lead to the abandonment of the Merger.

2. *There are risks associated with the integration of Paddy Power and Betfair*

The integration of Paddy Power and Betfair will be a substantial challenge. In particular, combining the resources of two groups that rely upon different technology platforms may prove costly and technically difficult to achieve. In addition, the integration of the two groups will require substantial management attention and other resources. The Merger involves certain risks, including:

- the unexpected loss of key personnel and customers;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the two groups;
- challenges in managing the increased scope, geographic diversity and complexity of the Combined Group's operations;
- attempts by third parties to terminate or alter their contracts with Paddy Power or Betfair;
- failure to mitigate contingent and/or assumed liabilities; and
- disruption to the services provided by each company's ongoing business to customers.

Should the integration fail or require more time, management attention or other resources than is currently anticipated, the Combined Group may not be able to achieve the joint growth potential and synergies that form the foundation of the economic and strategic rationale for the Merger. This could affect the services that each of Paddy Power and Betfair currently provide and the Combined Group will provide going forward and could have a material adverse impact on relationships with customers, regulators, employees, suppliers and other market participants. The image of the Combined Group and its individual brands might be harmed by a failed integration. Any material problems or delays in the

integration of Paddy Power and Betfair could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

3. *The Combined Group may not realise the anticipated benefits of the Merger*

The estimates regarding the potential cost savings and the potential revenue synergy opportunities resulting from the Merger included in this Prospectus are based on the Paddy Power Directors' and the Proposed Directors' assessment of information currently available and may prove to be incorrect. The Combined Group may not realise any anticipated benefits of the Merger or may encounter difficulties or higher costs in achieving these anticipated benefits and synergies and may not be successful in integrating the business and operations of Paddy Power and Betfair.

4. *The Combined Group may be unsuccessful in the implementation of future acquisitions, joint ventures or alliances in existing jurisdictions*

Following the Merger, the Combined Group may seek to acquire or invest in other businesses if appropriate opportunities become available. Any future acquisition may pose regulatory, anti-trust and other risks, as well as integration risks in jurisdictions where the Combined Group already has a presence due to the Combined Group's size. Due to the regulatory environment in which the Combined Group will operate, it faces restrictions with respect to the way in which it conducts certain operations. These may limit the Combined Group's ability to implement its global strategy and its ability to achieve synergies as a consequence of the Merger. Additionally, the Combined Group may experience certain competitive disadvantages if it does not receive necessary regulatory approvals for new business initiatives, or if it receives them in an untimely manner. In particular, where the Combined Group already operates in a particular jurisdiction, certain competitors may be able to obtain regulatory approval more rapidly or with less cost or difficulty than the Combined Group, providing them with an advantage in a new market or product area. Competitors may be able to respond more quickly to competitive pressures, especially if they are not subject to the same degree of regulatory oversight as the Combined Group.

All of the foregoing factors may limit the Combined Group's ability to achieve future business growth. Such risk extends to new acquisitions or mergers and will be particularly relevant if the Combined Group seeks to develop business initiatives in existing jurisdictions.

Furthermore, any new acquisitions will require significant time and resources of management and may require the diversion of resources from other activities. The Combined Group may be unable to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems. In addition, any companies or businesses acquired or invested in may not achieve levels of profitability or revenues that justify the original investment by the Combined Group.

5. *Rights to terminate upon a change-of-control of Betfair in Betfair's contracts may be exercised by counterparties in connection with the Merger*

Betfair is party to a number of ordinary course contracts that enable the counterparty to terminate the relevant contract on a change-of-control of Betfair. While Betfair has not identified any material contracts under which the counterparty is expected to exercise a right to terminate such contract as a result of the Merger, there can be no assurance that these contracts will not be terminated or that Betfair has identified all contracts with change-of-control clauses that are material to its business. If a counterparty to a contract exercises their right to terminate a material contract or counterparties exercise their rights to terminate a number of contracts, this could have a material adverse effect on Betfair and on the Combined Group's operations, financial performance and prospects.

6. *The Combined Group will incur significant Merger-related costs*

The Combined Group expects to incur a number of non-recurring costs associated with combining the operations of Paddy Power and Betfair after Completion. There can be no assurance that the actual costs of this integration process will not exceed those estimated and the actual integration process may result in additional and unforeseen expenses. In addition, the Combined Group will incur legal, accounting and other professional services fees and other costs related to the Merger itself. Some of these costs will be payable whether or not the Merger reaches Completion. While it is expected that the cost savings and synergies achieved by the Combined Group will offset these transaction and integration-related costs over time, this net benefit may not be achieved in the short-term or at all, particularly if the Merger is delayed

or does not happen at all. These combined factors could adversely affect the business, operating profit or overall financial condition of the Combined Group.

7. *Management distraction or overstretch in connection with the Merger could have an adverse effect on the business of the Combined Group*

Paddy Power and Betfair anticipate benefits and cost savings as a result of the Merger. However, the Combined Group will be required to devote significant management attention and resources to integrating Paddy Power's and Betfair's business practices and operations. There is a risk that the challenges associated with managing the Combined Group will result in management distraction or overstretch and that consequently the underlying businesses will not perform in line with expectations.

RISKS RELATING TO THE OPERATIONS OF PADDY POWER AND/OR BETFAIR AND, IF THE MERGER BECOMES EFFECTIVE, THE COMBINED GROUP

8. *The worsening of general economic conditions could adversely affect the Combined Group's customer activity levels and its financial performance*

The Combined Group's performance will depend to a certain extent on a number of macro-economic factors outside its control which may impact the spending power of its customers. Factors which may impact on consumer spending in relevant markets include, among other things, economic growth, unemployment rates, consumer confidence, taxation, inflation and the availability and cost of credit. In addition, consumer spending may be affected by natural disasters such as floods or drought.

9. *Aspects of the Combined Group's business will depend on the scheduling and live broadcasting of major sporting events*

The Combined Group's business, financial condition and results of operations will be impacted by the scheduling and live broadcasting of major sporting events. Disruptions to the scheduling and broadcasting of those events may have a material impact on the Combined Group's results of operations. In some instances, the scheduling of major sporting events occurs seasonally (for example, horse racing, the Premier League and the European Champions League) or at regular but infrequent intervals (for example, the FIFA World Cup and UEFA European Championships). The cancellation, postponement or curtailment of significant sporting events, for example due to adverse weather conditions, terrorist acts, other acts of war or hostility or the outbreak of infectious diseases (such as foot and mouth disease), or cancellation, disruption to, or postponement of, the live broadcasting of such sporting events, for example due to contractual disputes, technological or communication problems, or the insolvency of a major broadcaster, could materially adversely affect the operations, financial performance and prospects of the Combined Group.

10. *A significant amount of the Combined Group's revenue is derived from jurisdictions where no regulatory framework exists and the approach to the regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction*

The regulation and legality of online betting and gaming and approaches to enforcement vary from jurisdiction to jurisdiction (from open licensing regimes to regimes that impose sanctions or prohibitions) and in certain jurisdictions there is no directly applicable legislation. In FY15 Betfair derived approximately 18% of its revenue from certain jurisdictions where it did not (and was not during the relevant period required to) operate under local licensing regimes. In FY15, Betfair did not derive more than 1.2% of its revenue from any one of these jurisdictions (other than Portugal, from which it derived 2.3%). In many jurisdictions, there are conflicting laws and/or regulations, conflicting interpretations, divergent approaches by enforcement agencies and/or inconsistent enforcement policies and, therefore, some or all forms of online betting and gaming could be determined to be illegal in some of these countries. Moreover, the legality of online betting and gaming is subject to uncertainties arising from differing approaches among jurisdictions as to the determination of where online betting and gaming activities take place and which authorities have jurisdiction over such activities and/or those who participate in or facilitate them.

There are many jurisdictions around the world where the legality of various forms of gambling is open to interpretation, often arising from a delay or failure to update gambling laws to reflect the availability of modern remote betting products. In those cases, there are justifiable arguments to support various forms of gambling on the basis that they are not expressly prohibited, that their application to off-shore activities

is unclear, that gambling products are readily available within the particular territory and/or that there is no history of enforcement in respect of the particular type of gambling being offered. In addition changes in regulation in a given territory could result in it being re-assessed as a restricted territory without the potential to generate revenues on an ongoing basis.

While the list of Betfair and Paddy Power restricted territories is similar and includes several large countries (such as China and the United States (except, in the case of Betfair, with regard to activities for which Betfair is licensed (i.e. TVG, Betfair's online horse race betting business in California and Betfair Casino, an online casino site in New Jersey))), unsurprisingly the lists are not identical. This reflects the fact that the two entities have taken differing commercial views as to whether or not to seek national licences in some territories. For example, Betfair took the commercial decision to obtain licences in Denmark, Bulgaria and Romania when their regimes moved to a licensing model while Paddy Power did not and therefore Paddy Power includes those countries on its Restricted Territories list.

The Combined Group's determination as to whether or not to permit customers in a given jurisdiction to access any one or more of the Combined Group's products and whether or not to engage in various types of marketing activity and customer contact will be made on the basis of a number of factors. These factors will include:

- (a) the laws and regulations of the jurisdiction;
- (b) the terms of the Combined Group's betting and gaming licences;
- (c) the approach by regulatory and other authorities to the application or enforcement of such laws and regulations, including the approach of such authorities to the extraterritorial application and enforcement of such laws and the willingness or ability (or absence thereof) of such authorities to take enforcement action;
- (d) state, federal or supranational law, including EU law if applicable; and
- (e) any changes to these factors.

There is a significant risk that the Combined Group's assessment of the factors referred to above may not always accurately predict the likelihood of one or more jurisdictions taking enforcement or other adverse action against the Combined Group, its customers or its third-party suppliers, which could lead to fines, criminal sanctions or the termination of the Combined Group's operations in such jurisdiction or jurisdictions. While Betfair has received fines in certain jurisdictions, it has historically successfully challenged these.

If the Combined Group is found by a court to be acting unlawfully in offering services to customers or carrying out marketing activities in a particular jurisdiction, it may have to desist from doing so, which may have a negative effect on its operations, financial performance, licences and prospects. There may also be additional civil, criminal or regulatory proceedings brought against the Combined Group or its directors as a result. Legal proceedings potentially have cost, resource and reputational implications, and could potentially have a material adverse effect on the operations, financial performance and prospects of the Combined Group and on the ability of the Combined Group to retain, renew or expand its portfolio of licences. Moreover, even if successfully defended, the process may result in the Combined Group incurring considerable costs and may require significant management resource and time.

11. The success of Betfair's Betting Exchange depends upon maintaining liquidity

Betfair's Betting Exchange product operates with, and its success is dependent on, high levels of liquidity and a significant proportion of this liquidity is created by transactions generated by significant customers of Betfair. A significant reduction of this liquidity could have a material adverse impact on the attractiveness of one of the Combined Group's key products as well as eroding one of its key competitive strengths. The occurrence of any of the risks relating to the operations of Paddy Power and Betfair (and following Completion the Combined Group) and/or those relating to the online betting and gaming industry may have an adverse impact on liquidity levels on Betfair's Betting Exchange, which in turn may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

12. The Combined Group's success may depend on the maintenance, development and enhancement of its brands

The success of the Combined Group may depend on the maintenance, development and enhancement of its brands and reputation. The strong reputation of the Paddy Power and Betfair businesses and its

valuable brand names are currently and will be a key competitive strength. The two brands are important to the Combined Group. The Combined Group intends to run a dual brand strategy and there is a risk associated with managing brands which are competing with one another. The image of the Combined Group and its individual brands might be harmed by a failed integration, or any disruption to the products or services that the Combined Group provides. To the extent integration does not go as planned, it could impact either or both brands, which could have an impact on the financial performance of the business.

If the Combined Group is unable to maintain, develop and enhance its brands, its ability to implement its strategic goals may be adversely affected. As a result, the Combined Group's operations, financial performance and prospects would be adversely affected.

Damage to the reputation and brands of the Combined Group may arise from internal factors (technology failures, regulatory investigations and litigation) and external factors (legal, economic and political factors) which make the venues in which the Combined Group will operate less attractive. In addition, increased competition may require more management time and resource and greater levels of expenditure to maintain, develop and enhance the Combined Group's brands, which may have a material adverse effect on its operations, financial performance and prospects.

13. *The Combined Group's success may depend on the effectiveness of its marketing*

Customer acquisition and retention, and therefore the Combined Group's business, financial condition and results of operations, may depend significantly upon the effectiveness of marketing activities. There are limitations to and, in some cases, prohibitions on the online and offline marketing channels that will be available to the Combined Group as a result of applicable law and regulation. Further restrictions or the loss of marketing channels that are currently available to Paddy Power and/or Betfair may have a material adverse effect on the Combined Group's operations, financial performance and prospects. Ineffective and/or inefficient marketing activity undertaken by the Combined Group, including, in particular, any wasted costs and/or missed opportunities associated therewith, may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

14. *The Combined Group may experience gross win percentages below its expectations, particularly over shorter periods of time*

A significant proportion of the Combined Group's revenue will be derived from fixed-odds betting which means winnings are paid on the basis of the stake placed and the odds quoted before the conclusion of the event, rather than for example being determined after the event from a pool of stake money from which the operator's revenue is deducted. As a result, in the absence of a balanced book, fixed-odds betting returns are volatile. While the odds offered to customers are intended to provide a target average return (or gross win percentage) to the bookmaker over a large number of events, this outcome is not guaranteed, particularly over a smaller number of events. From time to time the Combined Group can experience significant losses caused by unfavourable outcomes in individual events.

The Combined Group may experience returns below its expected gross win percentage owing to, *inter alia*:

- a series of outcomes skewed towards its customers' betting selections in those events, particularly over shorter time periods (such as when a disproportionate number of 'favourites' win or a 'national' team/sportsperson from a major market wins). The Combined Group's customers include some higher staking customers which, although small in number, may place larger bets on individual selections, thereby having the potential to create more volatile results;
- structural changes lowering the Combined Group's expected gross win percentages (such as offering more generous odds as a result of competition); or
- failures of the people, processes and/or systems which the Combined Group will have in place to manage its bookmaking risk, for example, by failing to apply appropriate limits or adjust odds.

Gross win percentages below the Combined Group's expectations, or the failure to achieve minimum contracted gross win percentages under a business-to-business agreement, could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

15. *The Combined Group will depend on technology and advanced information systems, which may fail or be subject to disruption*

The integrity, reliability and operational performance of the Combined Group's IT systems will be critical to its operations. These IT systems may be damaged or interrupted by increases in usage, human error, natural hazards or disasters or similarly disruptive events or by the integration of Paddy Power and Betfair. Major IT projects have risks associated with them. There is no guarantee that integration will be completed successfully. Furthermore, Paddy Power's and Betfair's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of the Merger, or organic or subsequent inorganic growth of the business. Any failure of the Combined Group's IT infrastructure or the telecommunications and/or other third-party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the Combined Group's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

To compete effectively, the Combined Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The markets in which the Combined Group will compete are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If the Combined Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Combined Group's reputation, business and operating results could be materially adversely affected.

The Combined Group will have in place business continuity procedures, disaster recovery systems and security measures in the event of network or IT failure or disruption. However, those procedures and measures may not be effective to ensure that the Combined Group is able to carry on its business in the ordinary course if they fail or are disrupted, and they may not ensure that the Combined Group can anticipate, prevent or mitigate a material adverse effect on its operations, financial performance and prospects resulting from such failure or disruption.

As with all IT dependent companies, the Combined Group's IT systems and networks, and those of its third party service providers, may be vulnerable to cyber-attacks, unauthorised access, computer viruses and other security issues. These events could damage the integrity of the Combined Group's markets and data provision as well as the Combined Group's reputation and business more generally. Ensuring that appropriate protections are in place to detect any intrusion or other security breaches, together with preventative measures safeguarding against sabotage, hackers, viruses, and cyber-attacks will also be essential to the Combined Group's success. Any failure in these protections could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

16. *The Combined Group's ability to develop new markets may be adversely impacted by reduced levels of broadband access, access to mobile phone networks and internet penetration*

Broadband access, internet penetration and access to the Combined Group's mobile phone offerings may be negatively affected by various factors, including the introduction of new media or communications channels or the growth of existing alternative channels. In addition, broadband access, internet penetration and access to the Combined Group's mobile phone offerings may be adversely affected by difficult global economic conditions or individual policy decisions taken in countries in which the Combined Group will be present (such as the cancellation of government programmes to expand broadband access, as occurred in the United Kingdom). There is a significant risk that a reduction in the growth of, or a decline in, broadband access, internet penetration and access to the Combined Group's mobile phone offerings, could materially adversely affect the Combined Group's ability to develop new markets.

17. *Significant resources may be required to protect the Combined Group against network failure and disruption*

The Combined Group may at any time be required to expend significant capital or other resources (including staff and management time and resources) to protect the Combined Group against network or IT failure or disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and/or other maintenance are not implemented successfully or efficiently or there are operational failures, the quality of the Combined Group's product portfolio and service experienced by its customers will be adversely impacted. If, as a result, customers were to reduce or stop their use of the Combined Group's products and services, this

could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

18. *Failure to adequately protect customer account information*

Paddy Power and Betfair process personal customer data (including name, address, age, bank details and gaming history) as part of their businesses and therefore must comply with strict data protection and privacy laws in the EU and certain other jurisdictions in which they have customers or hold or transfer information. Such laws will restrict the Combined Group's ability to collect and use personal information relating to customers and potential customers. Notwithstanding the IT and data security and other systems which the Combined Group will have following Completion, it will be exposed to the risk that this data could be wrongfully accessed and/or used, whether by employees, customers or other third-parties, or otherwise lost or disclosed or processed in breach of data protection regulation. If the Combined Group or any of the third-party service providers on which it relies fails to transmit customer information and payment details online in a secure manner or if any such loss of personal customer data were otherwise to occur, the Combined Group could face liability under data protection laws. This could also result in reputational damage to the Combined Group and/or its brands resulting in the loss of the goodwill of its customers and deter new and existing customers. Each of these factors could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

19. *The development and launch of new products or new technologies may not be achieved in a timely manner or at all and such products or technologies may not be successful*

The success of Paddy Power and Betfair to date can partly be attributed to their ability to develop and launch new customer products and new and innovative technologies. There can be no certainty that the Combined Group will continue to be able to develop its technology to keep up-to-date with developments across the betting and gaming sector and, in particular, to launch such products or new technologies in a timely manner or at all. In addition, there can be no certainty that such products will be popular with customers or that such products or new technologies will be reliable, robust and not susceptible to viruses or failure. Any of these factors could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

20. *The Combined Group's competitors may implement new technologies before the Combined Group is able to do so, or may implement them in a more appealing way*

The Combined Group's competitors may implement new technologies before the Combined Group is able to do so or may implement them in a more appealing way. There can be no certainty that existing, proposed or as yet undeveloped technologies will not become dominant in the future or otherwise displace the Combined Group's services or render them obsolete. If the Combined Group is not able to compete effectively with current or future competitors with earlier or more appealing technology, this could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

21. *Demand for the Combined Group's products may be adversely affected by changes in consumer behaviour or preferences*

The Combined Group will be dependent on its ability to produce products that meet consumer demand across all the territories it operates in. In the future, the Combined Group will be dependent on its ability to adapt its products to changes in consumer demands, behaviours and preferences and to manage its costs in doing so. There can be no guarantee that the Combined Group will accurately predict changes in consumer demands, behaviours and preferences or will be able to respond successfully or at reasonable cost to any such changes in trends or demands. A failure to do so may adversely affect the Combined Group's operations, financial performance and prospects.

22. *The Combined Group's efforts to expand its customer base in new geographic markets may not be successful*

As a result of social, political and legal differences between jurisdictions, successful marketing in a new jurisdiction will often involve local adaptations to the Combined Group's overall marketing strategy. While Paddy Power and Betfair have been successful in entering new geographic markets to date, future entry into new geographic markets may not be successful. In particular, the Combined Group's marketing strategy in new geographic markets may not be well received by target customers or may not otherwise be socially acceptable in that jurisdiction. The Combined Group may be unable to deal successfully with a new

and different local operating environment and may be subject to unfamiliar restrictive local laws and regulations which may include specific technological requirements that are incompatible with the Combined Group's technology or business model. The Combined Group may also face local state monopolies or other local vested interests that oppose the entry of new operators or already have substantial local market share. In addition, the Combined Group may be required to commit to paying large up-front fees for future gaming licences. The Combined Group may be unable to secure new licences on acceptable terms where required in order to access customers in any given jurisdiction. Each of these could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

23. The Combined Group will be exposed to the risk of competition

If the Combined Group is unable to compete effectively, it may lose customers and may not be able to attract new customers. The betting and gaming industry is increasingly competitive and the Combined Group may be unable to predict, or adequately plan for, the strategies of its competitors. The Combined Group may be unable to respond quickly or adequately to the changes in the industry brought on by new products and technologies, the availability of products on other technology platforms and marketing channels, the introduction of new features and functionality or new marketing and promotional efforts by the Combined Group's competitors or new competitors and new technology.

Whilst the Paddy Power Directors and the Proposed Directors believe the Merger will strengthen the Combined Group's competitive position, there will be challenges from new and existing competitors who may have larger customer bases and greater brand recognition. In addition, the Combined Group is at risk from further consolidation in the industry which might result in the formation of a very large competitor to whom the Combined Group might lose market share. Other competitors may have significantly greater financial, technical, marketing and other resources than the Combined Group and may be able to secure greater liquidity than the Combined Group. A loss of market share could have a considerable adverse effect on the Combined Group's operations, financial performance and prospects.

Furthermore, betting and gaming faces competition from other leisure activities and there can be no assurance that it will be able to increase or maintain its market share against such other leisure activities.

24. The Combined Group may face difficulties in protecting its intellectual property

The Directors consider the brands, know-how, copyright in software, copyright in data, trade marks, domain names and other intellectual property of Paddy Power and Betfair to be a competitive advantage and to be key to the future prospects of the Combined Group. The Combined Group will derive a significant proportion of its revenues from its services and information technology operations. Consequently, although Paddy Power and Betfair are currently unaware of the existence of any such matters that are material in the context of the Combined Group as a whole, challenges to the intellectual property belonging to or licensed by the Combined Group and/or claims or allegations of infringement by the Combined Group of third party intellectual property on which the Combined Group will rely for revenue and which are specifically configured for the Combined Group's use could, individually or in aggregate, have an adverse effect on the Combined Group's business, financial condition, operating results and reputation.

Paddy Power and Betfair protect their intellectual property by relying upon a combination of trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, customers, strategic partners and others. Such protection may be inadequate to deter misappropriation of the Combined Group's proprietary information and other intellectual property rights, and there can be no assurance that the Combined Group's registered intellectual property rights will not be successfully challenged. The Combined Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights. Failure to protect its intellectual property rights adequately could harm the Combined Group's reputation and affect the ability of the Combined Group to compete effectively. Further, defending or enforcing the Combined Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Combined Group's business, financial condition and operating results. The Combined Group's failure or inability to protect its intellectual property rights, including its rights in know-how or trade secrets, could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

25. *The Combined Group may face claims alleging infringement of intellectual property rights held by others*

The Combined Group's business activities, products and systems may infringe the proprietary rights of others, and other parties may assert infringement claims against it. Any such claim and any resulting litigation, should it occur, could subject the Combined Group to significant liability for damages (or an account of profits) and legal costs and could result in invalidation of its proprietary rights, loss of rights to use software or other intellectual property rights or technology that are material to its business, distract management, and/or require it to enter into costly and burdensome royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to the Combined Group, or may not be available at all. In the future, the Combined Group may also need to file legal proceedings to defend its trade secrets and the validity of its intellectual property rights, or to determine the validity and scope of the proprietary rights of others. Such litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources. The occurrence of any of these events could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

26. *The Combined Group may face, or be required to make, litigation claims in the future*

In addition to litigation arising from the legal and regulatory obligations imposed on the Combined Group's business, or in relation to the Combined Group's or third parties' intellectual property, like any business the Combined Group may be subject to claims from customers, contractual counterparties or others and may be obliged to make claims against customers, contractual counterparties or others to enforce obligations owned to the Combined Group. If the Combined Group were to become involved, whether as plaintiff or defendant, in significant litigation then liability for damages and/or legal costs could result that might have a material adverse effect on the Combined Group's operations, financial performance and prospects.

27. *The loss of certain key members of the Combined Group's senior management team and staff could have adverse consequences on the Combined Group*

The Combined Group's future success depends in a large part upon the continued service of key members of its senior management team and employees. In particular, the Combined Group's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and a number of other key staff will be critical to the overall management of the Combined Group as well as the integration of Paddy Power and Betfair, the development of the Combined Group's technology, its culture and its strategic direction. The loss of any of the Combined Group's senior management or key personnel could seriously harm its business. The Combined Group's ability to compete effectively will be dependent upon its ability to attract new employees and to retain and motivate its existing employees. There can be no assurance that the Combined Group will be able to retain the personnel it requires when the Merger completes. The Combined Group's ability to retain key personnel will depend upon a number of factors, including compensation packages offered by other companies and the impact of share price performance on the Combined Group's share schemes. For additional information on the Combined Group's executive directors, see Part III (*Board of Directors and Corporate Governance of Paddy Power and the Combined Group*) of this Prospectus.

28. *A failure to deliver on business-to-business obligations or deterioration in a business-to-business relationship could adversely affect the development of the Combined Group's activities*

The Combined Group is engaged in business-to-business activities (i.e. where the customer is another business rather than a retail customer). The successful delivery of the services relies inter alia on the ability to adapt and maintain its processes and technology to reliably provide the required localised betting events and prices, manage the associated bookmaking risks (including in some cases achieving at least the minimum gross win percentage specified within relevant legislation to avoid statutory fines) and settle the events correctly. The Combined Group's credentials and the success of its business-to-business strategy are dependent on successful operations in all of these areas. A failure to deliver on business-to-business obligations or deterioration in a business-to-business relationship could have a material adverse impact on the Combined Group's operations, financial performance and prospects.

FINANCIAL AND BANKING RISKS ASSOCIATED WITH THE OPERATIONS OF PADDY POWER AND/OR BETFAIR AND, IF THE MERGER BECOMES EFFECTIVE, THE COMBINED GROUP

29. The Combined Group depends on high standards of payment processing

The provision of convenient, trusted, fast, competitive and effective payment processing services to Paddy Power's and Betfair's existing customers and potential customers is an important success factor. If there is any deterioration in the quality of the payment processing services provided to the Combined Group's customers or any interruption to those services, or if such services are only available at an increased cost to the Combined Group or its customers or such services are terminated and no timely and comparable replacement services are found, the Combined Group's customers and potential customers may be deterred from using the Combined Group's products. Any of these occurrences may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

30. Paddy Power and Betfair are, and the Combined Group will be, exposed to the risk of customer chargebacks

Chargebacks occur when customers, card issuers or payment processors seek to void credit card or other payment transactions. Chargebacks are a cost of most retail businesses and not only of online betting and gaming businesses. Cardholders are supposedly able to reverse card transactions only if there has been unauthorised use of the credit or debit card or the services contracted for have not been provided. Customers occasionally seek to reverse their real money losses through chargebacks. Both Paddy Power and Betfair place great emphasis on control procedures to protect from chargebacks, including tracking customers that have previously charged back and by providing their customers with a variety of alternative payment processing methods to reduce the risk of chargebacks. It is expected that a proportion of customers will continue to reverse payments made by credit card and other payment methods through the use of chargebacks, and if this is not controlled it could materially affect the Combined Group's operations, financial performance and prospects.

31. The Combined Group will be exposed to foreign exchange rate and interest rate fluctuations

The Combined Group's reporting currency will be pounds sterling, but part of its income deposits and expenditure will be in other currencies, notably euro, US dollars, and Australian dollars. As a result, revenues and costs are affected by foreign exchange rate fluctuations. Exchange rate fluctuations may affect the Combined Group's consolidated statement of financial position, particularly individual assets and liabilities, but the Combined Group will seek to minimise the effect on net assets where in the opinion of the Paddy Power Betfair Directors it makes economic sense to do so.

The Combined Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on its operations, financial performance and prospects, but there can be no assurance that such hedging will eliminate the potentially material adverse effect of such fluctuations.

As a result of the cash generative nature of the Combined Group and the cash balances it retains on behalf of customers, the Combined Group will be exposed to interest rate risk affecting the income earned on such deposits. The Combined Group will also have gross debt balances and is therefore exposed to interest rate risk on borrowings. These factors may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

32. Funds held in accounts with third party banking institutions may be subject to superior competing claims

Currently funds of Paddy Power and Betfair are spread across leading banking groups. The failure of any one or more of these banking groups may result in all or some of the funds of the Combined Group being subject to superior competing claims by creditors of those banking groups and ultimately lost. This would have not only financial implications, but would also significantly impact the confidence that customers have in the security of their money held by the Combined Group which could materially adversely affect the operations, financial performance and prospects of the Combined Group. In addition, the Combined Group will have certain of its own funds deposited with such third party banking groups and the failure of any one or more of those groups could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

33. *Guarantees provided under licences may be called upon*

Paddy Power and Betfair have bank guarantees in favour of certain betting and gaming regulatory authorities to guarantee the payment of player funds and certain taxes and fees due by members of the Paddy Power Group and the Betfair Group and, in the case of Paddy Power, in respect of third party letter of credit facilities, player prizes, certain third party rental and other property commitments and merchant facilities. While no claims have been made under the guarantees to date, there can be no certainty that claims will not arise in the future. If such claims do arise, payment obligations of Paddy Power Betfair in respect of members of the Combined Group under those guarantees could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

34. *Paddy Power has significant operating lease commitments in relation to its licensed betting offices ("LBOs")*

Paddy Power has significant long term lease obligations in relation to its LBOs and other offices. In accordance with current IFRS, these commitments are not reflected on its balance sheet but disclosed within the notes to its financial statements. As at 31 December 2014, the Paddy Power Group had total commitments of €192 million in respect of non-cancellable operating leases on properties as disclosed in note 30 to the Paddy Power 2014 Annual Report and Accounts. If these obligations cannot be terminated or transferred to third parties when Paddy Power wishes to cease operating the relevant LBOs, then the Combined Group will have ongoing financial and other obligations in relation to premises that no longer generate income.

35. *Risk of increased payment obligations to racing and sporting bodies*

Paddy Power and Betfair have, and the Combined Group will have, commercial, statutory and regulatory payment obligations to industry and governmental authorities in the jurisdictions in which it operates, connected with the funding, support and development of sports on which the Combined Group may take bets. These may be specific to a particular area (for example, horseracing) or generally applicable to the Combined Group's business, and may be imposed as taxes (for example, on bets placed or other sources of revenue for the Combined Group), or as other fees or duties relating to the Combined Group's activities. If the number or amount of these payment obligations were to significantly increase, this may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

36. *Adverse changes to the taxation of betting and gaming or the imposition of statutory levies or other duties or charges could materially and adversely affect the operations, financial performance and prospects of the Combined Group*

The jurisdictions in which each of Paddy Power and Betfair hold, and the Combined Group will hold, licences impose taxes and duties on its licensed activities. Adverse changes to the taxation or the imposition of, or adverse changes to, statutory levies or other duties or charges, in such jurisdictions could materially adversely affect the Combined Group's operations, financial performance and prospects.

The Combined Group's customers will be located worldwide. Revenues earned from customers located in a particular jurisdiction may give rise to direct or turnover taxes in that jurisdiction. Moreover, if jurisdictions where gaming winnings are currently not subject to income tax or are taxed at low rates were to begin to levy taxes or increase the existing tax rates on winnings, betting and gaming might become less attractive for customers in those jurisdictions, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group in that jurisdiction.

37. *Risk of disproportionate liability following changes in taxation law relating to the Combined Group's operations*

The Combined Group is subject to a number of different tax regimes across the jurisdictions in which it operates. From time to time, these tax regimes change, often driven by new regulations or policies applicable to online betting and gaming in the relevant jurisdictions. In certain circumstances, the effect of such changes could have a disproportionate effect on some of the operations of the Combined Group. For example, a sports betting tax was introduced in Germany in 2012 which Betfair believes should not apply to Betfair's Betting Exchange. However, if applied to Betfair's Betting Exchange in the same manner as to other more traditional online betting and gaming companies, this would lead to an effective taxation rate on the operation of the Betfair Betting Exchange equivalent to many times the profit derived from such activity. The German tax authorities have sought to apply this tax strictly to Betfair. As well as discontinuing the operation of Betfair's Betting Exchange in Germany after the introduction of this new

tax, Betfair has recently issued appeal proceedings in the German courts to challenge the German tax assessment on the basis that, in view of its distinct business model, a betting exchange should not be subject to the sports betting tax or, if it is, should be taxed differently to more traditional online betting and gaming companies. While the outcome of this challenge is not yet known, and may not be known for some time, it is possible that the Combined Group could become liable for a one-off liability to tax in Germany in respect of its historical German operations.

By way of further example, Austria, where Betfair operated its Betting Exchange until August 2014, extended the scope of stamp duty in January 2011 which had a similar effect to the German sports betting tax. It is possible that the Austrian tax authorities could seek to make a similarly strict assessment on Betfair in respect of its historical Austrian operations. Any failure by Betfair to challenge successfully such an assessment could give rise to a one-off tax liability in Austria for the Combined Group.

Liabilities of this sort could have a material adverse effect on the Combined Group's operations, reputation, financial performance and prospects.

38. *A challenge to the Combined Group's tax policies could have a material impact on the amount of tax payable by the Combined Group*

Paddy Power and Betfair each have a policy and, following Completion, the Combined Group will have a policy, to conduct business, including transactions between members of the Combined Group, in accordance with current tax legislation, tax treaties and provisions applicable in the various jurisdictions in which it operates. The Combined Group could be adversely affected by changes in tax laws, tax treaties and provisions or changes in the interpretation of tax laws by any tax authority. Equally, if any member of the Combined Group is found to have a taxable presence in a jurisdiction where it had not registered a business presence, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the amount of tax including corporate income tax, transaction or sales tax or value added tax ("VAT") payable by the Combined Group.

It is also Paddy Power's and Betfair's policy that the pricing of any arrangements between members of the Combined Group, such as the intra-group provision of services, are, where required by applicable tax law, intended to be established on an arm's length basis. However, if the tax authorities in the relevant jurisdictions do not regard the arrangements between any members of the Combined Group as being made at arm's length in accordance with applicable tax law, the amount of tax payable by the Combined Group may increase materially which could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

Each of Paddy Power and Betfair regularly reviews its tax provision on the basis of current law. It is possible that the Combined Group's tax provision may turn out to be insufficient.

39. *The receipt and holding of customer funds could be regarded as deposit-taking business*

In common with other online betting and gaming businesses, payments from Paddy Power's and Betfair's customers are generally required in advance of permitting such customers to participate in betting and gaming activities. The receipt of funds from customers may be subject to regulation in various countries. For example, such payments may constitute 'deposits' for the purposes of the UK financial services regime. Accepting deposits in the UK is a regulated activity, generally requiring those that accept deposits in the UK to be authorised as banks.

The directors of Betfair have previously received confirmation from the FCA that the acceptance by the relevant entity of such payments does not constitute "deposit" taking and that therefore Betfair does not require authorisation in the United Kingdom by the FCA. If this position were to change, the Combined Group may have to either reorganise the way in which it receives payments from its customers or seek to obtain authorisation. Such a reorganisation of payment systems could disrupt the business and, as a result, may have a material adverse effect on the Combined Group's operations, financial performance and prospects. In addition, any failure to obtain a necessary authorisation may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

Regulatory regimes across the world are being materially tightened following the financial crisis. If any relevant regulator were to challenge the Combined Group's payment arrangements, and the Combined Group was unable to withstand such challenge, it would have to reorganise the way in which it receives payments from its customers. Such a reorganisation of payment systems could disrupt the business and, as

a result, have a material adverse effect on the Combined Group's operations, financial performance and prospects.

RISKS RELATING TO THE REGULATION OF ONLINE BETTING AND GAMING

40. The regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction, is subject to uncertainties in many jurisdictions and the approach to enforcement varies from jurisdiction to jurisdiction

Paddy Power and Betfair each have customers in numerous jurisdictions around the world. The regulation and legality of online betting and gaming (and the approaches to enforcement) vary from jurisdiction to jurisdiction (from open licensing regimes to regimes that impose sanctions or prohibitions) and in certain jurisdictions there is no directly applicable legislation.

In some jurisdictions, online betting and gaming may be illegal. In many jurisdictions, there are conflicting laws and/or regulations, conflicting interpretations, divergent approaches by enforcement agencies and/or inconsistent enforcement policies and, therefore, some or all forms of online betting and gaming could be determined to be illegal in some of these countries. Moreover, the legality of online betting and gaming is subject to uncertainties arising from differing approaches among jurisdictions as to the determination of where online betting and gaming activities take place and which authorities have jurisdiction over such activities and/or those who participate in or facilitate them.

There are many jurisdictions around the world where the legality of various forms of gambling is open to interpretation, often arising from a delay or failure to update gambling laws to reflect the availability of modern remote betting products. In those cases, there are justifiable arguments to support various forms of gambling on the basis that they are not expressly prohibited, that their application to off-shore activities is unclear, that gambling products are readily available within the particular territory and/or that there is no history of enforcement in respect of the particular type of gambling being offered.

While the list of Betfair and Paddy Power restricted territories is similar and includes several large countries (such as China and the United States (except, in the case of Betfair, with regard to activities for which Betfair is licensed (i.e. TVG, Betfair's online horse race betting business in California and Betfair Casino, an online site in New Jersey))), unsurprisingly the lists are not identical. This reflects the fact that the two entities have taken differing commercial views as to whether or not to seek national licences in some territories. For example, Betfair took the commercial decision to obtain licences in Denmark, Bulgaria and Romania when their regimes moved to a licensing model while Paddy Power did not and therefore Paddy Power includes those countries on its Restricted Territories list.

The Combined Group's determination as to whether or not to permit customers in a given jurisdiction to access any one or more of the Combined Group's products and whether or not to engage in various types of marketing activity and customer contact will be made on the basis of a number of factors. These factors will include:

- the laws and regulations of the jurisdiction;
- the terms of the Combined Group's betting and gaming licences;
- the approach by regulatory and other authorities to the application or enforcement of such laws and regulations, including the approach of such authorities to the extraterritorial application and enforcement of such laws and the willingness or ability (or absence thereof) of such authorities to take enforcement action;
- state, federal or supranational law, including EU law if applicable; and
- any changes to these factors.

There is a significant risk that the Combined Group's assessment of the factors referred to above may not always accurately predict the likelihood of one or more jurisdictions taking enforcement or other adverse action against the Combined Group, its customers or its third-party suppliers, which could lead to fines, criminal sanctions or the termination of the Combined Group's operations in such jurisdiction or jurisdictions.

If the Combined Group is found by a court to be acting unlawfully in offering services to customers or carrying out marketing activities in a particular jurisdiction, it may have to desist from doing so, which may have a negative effect on its operations, financial performance and prospects. There may also be additional civil, criminal or regulatory proceedings brought against the Combined Group or its directors as a result.

Legal proceedings potentially have cost, resource and reputational implications, and could potentially have a material adverse effect on the operations, financial performance, licences and prospects of the Combined Group and on the ability of the Combined Group to retain, renew or expand its portfolio of licences. Moreover, even if successfully defended, the process may result in the Combined Group incurring considerable costs and may require significant management resource and time.

41. *There have been, and continue to be, various attempts in the European Union to apply domestic criminal and administrative laws to prevent online betting and gaming operators licensed in other Member States from operating in or providing services to customers within their territory; the case law of the Court of Justice of the European Union (“CJEU”) on this issue continues to evolve and the reactions of the governments of Member States creates uncertainty for online gaming operators*

There have been, and continue to be, attempts by regulatory authorities, state licencees and incumbent operators, including monopoly operators, in certain Member States to apply domestic criminal and administrative laws to prevent, or try to prevent, online betting and gaming operators licensed in other Member States from operating in or providing services to customers within their territories. Paddy Power and Betfair permit, and the Combined Group will permit customers in most Member States to access its services. Although certain Member States are subject to infringement proceedings initiated by the European Commission in relation to the laws that they apply to betting and gaming as being contrary to the EU law principles of free movement of services, the application and enforcement of these principles by the CJEU, the domestic courts and regulatory authorities in various Member States remains subject to continuing challenge and clarification. There have been, and continue to be, a considerable number of relevant proceedings before the domestic courts of various Member States and the CJEU. The outcomes of these proceedings remain uncertain and it may take some years before these proceedings are finally decided.

If the jurisprudence of the CJEU continues to recognise that Member States may, subject to certain conditions, establish or maintain exclusive licensing regimes that restrict the provision of online betting and gaming services by operators licensed in other Member States, this may adversely affect the Combined Group’s ability to permit customers in a given Member State to access one or more of the Combined Group’s online betting and gaming services and to engage in certain types of marketing activity and customer contact. Depending on the way in which national courts or competent authorities interpret EU law, the Combined Group may have to submit to local licensing, regulation and/or taxation in more Member States than is currently the case in respect of Paddy Power and Betfair and/or exclude customers who are based in certain Member States, either entirely or from certain product offerings. Any such consequences could potentially have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

42. *Adverse changes to the regulation of online betting and gaming or the interpretation thereof by regulators could materially adversely affect the Combined Group*

Where regulated, the provision of online betting and gaming services is subject to extensive laws, regulations and, where relevant, licensing requirements. These laws, regulations and licensing requirements vary from jurisdiction to jurisdiction but typically address the responsibility, financial standing and suitability of owners, directors and operators. Many of these laws, regulations and licensing requirements are recent and are subject to change at any time and relevant regulatory authorities may change their interpretation thereof at any time.

Failure to comply with relevant laws, regulations or licensing requirements may lead to penalties, sanctions or ultimately the revocation of relevant operating licences and may have an impact on licences in other jurisdictions. In addition, the compliance costs associated with these laws, regulations and licensing requirements may be significant. Any adverse changes to the regulation of online betting and gaming, the interpretation of these laws, regulations and licensing requirements by relevant regulators or the revocation of operating licences could materially adversely affect the operations, financial performance and prospects of the Combined Group. Following Completion, the Combined Group’s internal and external legal counsel will frequently review the ever-changing regulatory framework across all jurisdictions where the Combined Group operates or may wish to operate in the future and determinations as to the application of relevant prohibitions will be made on a case by case basis. Where a prohibition is deemed to apply, technical steps will be introduced to effect compliance if required. However, the infringement by the Combined Group of the domestic regulatory regimes or those of other countries (even if inadvertent) or changes to those regulatory frameworks may result in additional compliance and litigation costs for the

Combined Group, or could restrict the range of products and services it offers and the value of its assets, and/or require the Combined Group to change certain of its business practices in some or all of the jurisdictions in which it operates.

43. *The clarification of the regulation of online betting and gaming may restrict the Combined Group's ability to continue to operate in its existing and future markets and may lead to increased competition*

Certain countries in which laws currently prohibit or restrict online betting and gaming or the marketing of those services, or protect monopoly providers of betting and gaming services, may implement changes to open their markets through the adoption of competitive licensing and regulatory frameworks. Whilst these changes may provide growth opportunities for the Combined Group, a new licensing and regulatory regime adopted in any such country may not grant a licence to the Combined Group or may impose onerous conditions such as onerous licensing requirements, together with enforcement sanctions for breach thereof, taxation liabilities that make the market unattractive to the Combined Group, or impose restrictions that limit its ability to offer certain of its key products or to market its products in the way it would wish to do so.

Furthermore, the Combined Group's competitors may be established in a country or market prior to the Combined Group's entry. If regulation is liberalised or clarified in such markets, then the Combined Group may face increased competition from other providers, and competition from those providers may have a material adverse effect on the overall competitiveness of the online betting and gaming industry. The Combined Group may face difficulty in competing with providers that take a more aggressive approach to regulation than the Combined Group and are consequently able to generate revenues in markets from which the Combined Group does not accept customers or in which it will not advertise. Any of these factors may materially adversely affect the Combined Group's operations, financial performance and prospects.

The opening of new markets, and the clarification of restrictions surrounding online betting and gaming in other markets where the legal position is currently unclear, may encourage new entrants to the online betting and gaming sector or strengthen the position of competing betting and gaming operators. A significant increase in competition may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

44. *The Combined Group faces the risk of loss, revocation, non-renewal or change in the terms of its gaming licences*

Paddy Power's and Betfair's betting and gaming licences tend to be issued for fixed periods of time, after which a renewal of the licence is required. Licences also typically include a right of revocation for the regulator in certain circumstances. If any of the Combined Group's betting and gaming licences are not renewed or are revoked, this could materially adversely affect the Combined Group's operations, financial performance and prospects. The revocation or non-renewal of the Combined Group's licences could arise if the Paddy Power Betfair Directors, management, or shareholders failed to comply adequately with the suitability, information reporting or other requirements of relevant licensing and regulatory authorities.

In addition, renewal of the Combined Group's licences may be on terms that are less favourable to the Combined Group, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

45. *If regulatory authorities take actions against customers, this could reduce the demand for the Combined Group's betting and gaming offerings*

There are a number of markets in which the Combined Group has customers where it may be illegal or may become illegal under domestic laws for individuals to engage in online betting and gaming. Any attempt by regulatory authorities in such markets to enforce such laws against private individuals could significantly affect demand for the services provided by the Combined Group and thereby have a material adverse effect on operations, financial performance and prospects of the Combined Group.

46. *Uncertainty as to the legality of online gaming may deter third-party suppliers from dealing with the Combined Group*

Each of Paddy Power and Betfair depends, and the Combined Group will depend, on third-party suppliers such as payment processing, telecommunications, advertising, technology, banking and other service

providers. The willingness of such providers to provide their services to the Combined Group may be affected by their own assessment of the legality of their provision of services to the Combined Group, of the Combined Group's business or of the online betting and gaming sector, and by political or other pressure brought to bear on them. Adverse changes in law or regulation or enforcement policies in any jurisdiction may make the provision of key services to the Combined Group unlawful or problematic in such jurisdictions. To the extent that third-party suppliers are unwilling or unable to provide services to the Combined Group, this may have a material adverse effect on the Combined Group's operations, financial performance, licences and prospects.

The introduction of legislation or regulations restricting financial transactions with online betting and gaming operators or other prohibitions or restrictions on the use of credit cards and other banking instruments for online betting and gaming transactions may restrict the Combined Group's ability to accept payment from its customers. These restrictions may be imposed as a result of concerns related to fraud, payment processing, anti-money laundering or other issues related to the provision of online betting and gaming services. A number of issuing banks or credit card companies may from time to time reject payments to the Combined Group that are attempted to be made by customers. Should such restrictions and rejections become more prevalent, or any other restriction on payment processing be introduced, gaming activity by the Combined Group's customers or the conversion of registered customers into active customers could be adversely affected, which in turn could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

The introduction of legislation or regulations requiring internet service providers in any jurisdiction to block access to the Combined Group's websites and products may restrict the ability of customers to access its products offered. Such restrictions, should they be imposed, could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

47. The Combined Group's systems and controls to restrict access to its products may not be adequate

Paddy Power and Betfair rely, and the Combined Group will rely, on technological systems and controls to block customers from certain jurisdictions accessing their services. These systems and controls are intended to ensure that the Combined Group does not accept money from customers located in those jurisdictions, where it has made a decision not to offer its products and services. These systems and controls could fail or otherwise be found to be inadequate, either currently or as a result of future technological developments. This may result in violations of applicable laws or regulations. Any claims in respect of any such violations could have cost, resource, and reputational implications, as well as implications on the ability of the Combined Group to retain, renew or expand its portfolio of licences, and so have a material adverse effect on the Combined Group's operations, financial performance and prospects.

48. Negative publicity about, or the Combined Group's failure to control, problem and underage betting and gaming, fraud, corruption in sport, money laundering or other fraudulent activities

Negative publicity about underage betting and gaming, problem betting and gaming, fraud (including money laundering) or corruption in sport (including collusion and match-fixing), even if not directly or indirectly connected with the Combined Group or its products, may adversely impact the Combined Group's reputation and the willingness of the public to participate in betting and gaming or a particular form of betting and gaming. As a result, the number of potential customers available to the Combined Group could be adversely affected. The occurrence of any of these events could materially adversely affect the operations, financial performance and prospects of the Combined Group.

Online transactions may be subject to sophisticated schemes or collusion to defraud (including to increase gaming winnings), launder money or other illegal activities, and there is a risk that the Combined Group's products may be used for those purposes either by its customers or its employees. While Paddy Power and Betfair have implemented controls and procedures to detect and guard against fraudulent play and other collusion between customers, money laundering and other fraudulent activities and cyber-attacks, these controls and procedures are not or may not be effective in all cases. Failure of the Combined Group to protect itself and its customers from fraudulent activity, either by customers or employees, could result in reputational damage to the Combined Group and could materially adversely affect its operations, financial performance and prospects. In addition, failure to adequately monitor and prevent money laundering and other fraudulent activity could result in civil or criminal liability for the Combined Group.

49. *Online betting and gaming contracts may be unenforceable*

In several markets, online betting and gaming contracts are deemed by law either to be null and void or unenforceable. In some jurisdictions, customers who have placed bets might be able to recover money paid under an unenforceable contract, through the operation of restitutionary principles. Therefore, although neither Paddy Power nor Betfair has faced claims of this kind to date, and the choice of law clauses in end-user terms and conditions stipulate that betting and gaming transactions take place in the location of the operator, there is a risk that customers who have placed bets on an online betting and gaming site could later demand to recover the funds that they have wagered from the operators of the site. If such claims were successful, this could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

50. *The Combined Group may be exposed to contractual claims arising from regulatory action*

Paddy Power and Betfair have each entered into agreements with service providers in relation to, amongst other things, the marketing of Paddy Power's and Betfair's products and the processing of payments. Paddy Power and Betfair have also entered into sponsorship agreements with companies or entities that they have agreed to sponsor. Many of these agreements contain warranty, indemnity and termination provisions that the counterparties to the agreements may rely on in circumstances where, for instance, the validity of a licence held by Paddy Power or Betfair, as the case may be, is disputed (whether as a result of judicial proceedings, a change in law or otherwise), or where regulatory action is taken against the counterparty.

If such claims are made, or action is taken, and counterparties were to rely on the relevant warranty, indemnity or termination provisions, the Combined Group could be faced with material damages or indemnity claims. The Combined Group may also remain liable for any outstanding fees payable to the counterparty of an agreement which has been terminated without receiving any value for such fees. The termination of one or more of the Combined Group's service or sponsorship agreements and any damages claims brought by the counterparties to such agreements could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

51. *Money laundering regulations and anti-corruption laws may increase the costs of compliance and/or limit or restrict the Combined Group's ability to do business*

Paddy Power's and Betfair's activities are (and the Combined Group's activities will be) subject to money laundering regulations and anti-corruption laws which may increase the costs of compliance, limit or restrict the Combined Group's ability to do business or engage in certain activities, or subject Paddy Power Betfair to the possibility of civil or criminal actions or proceedings. Although Paddy Power and Betfair have in place systems and controls designed to comply with applicable laws and regulations, there can be no assurance that the Combined Group, its employees, or its agents acting on its behalf are or will be in full compliance with all applicable laws and regulations or their interpretation by the relevant authorities and, given the complex nature of the risks, it may not always be possible for the Combined Group to ascertain compliance with such laws and regulations. Failure to comply with or to obtain appropriate authorisations and/or exemptions under such laws or regulations could subject the Combined Group to investigations, criminal sanctions or civil remedies, including fines, injunctions, loss of an operating licence, reputational consequences, and other sanctions, all of which could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

52. *Shareholders may be subject to voting or distribution restrictions on, or be required to dispose of, their interests in Ordinary Shares as a result of the regulatory requirements to which Paddy Power and Betfair are, and the Combined Group will be, subject*

The licensing or regulatory authorities in the principal jurisdictions in which Paddy Power and Betfair have a betting and/or gaming licence or in which the Combined Group may seek a licence in the future may have broad powers to request or require reporting of various detailed information from and/or approve the qualification or suitability for licensing of, online betting and gaming operators, including their directors, management and the holders (legal and beneficial) of interests in shares. In some jurisdictions, such authorities may impose such information sharing and filing requirements on a continuous and ongoing basis, including in relation to the Combined Group, its Directors, management and the holders (legal and beneficial) of interests in Ordinary Shares. These powers may be exercised by regulators as against the holders, whether legal or beneficial, of interests in shares or other securities in betting and gaming operators, as well as against the betting and gaming operators themselves, their directors and management.

In some circumstances, the purpose of the exercise of powers by licensing or regulatory authorities may be to identify shareholders and directors whose involvement with the licensed entity the licensing or regulatory authority considers unacceptable because such persons are not suitable directors, managers or shareholders to have a direct or indirect financial interest in, or influence over, a betting and gaming operator in such jurisdiction.

The information required, qualification or suitability requirements to be satisfied and ongoing regulatory filings to be submitted, may be very detailed, onerous and/or intrusive and may include, for example, personal and financial information concerning the ultimate beneficial owners and/or persons influencing the control of corporate shareholders. In many cases, the terms of Paddy Power's and Betfair's licences or the provisions of regulations in relevant jurisdictions require Paddy Power and Betfair to produce such information on demand in relation to the holders (legal and beneficial) of interests in Paddy Power Shares or Betfair Shares, as the case may be either following, or in some cases prior to, such persons acquiring specified percentage (legal or beneficial) interests in the share capital of Paddy Power or Betfair. Any failure by the Combined Group, its Directors, its management or, as applicable, any holder (or proposed investor) of an interest in Ordinary Shares, to comply with such requests could result in the relevant licensing or regulatory authority taking adverse action against the Combined Group in that jurisdiction which may include the suspension or revocation of licences and/or the imposition of fines, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

To address the various requirements referred to above, certain provisions will be contained in Paddy Power Betfair's Articles which will permit it to restrict the voting or distribution rights attaching to Ordinary Shares or to compel the sale of Ordinary Shares if a holder (legal or beneficial) of interests in Ordinary Shares does not satisfactorily comply with a regulator's request(s) and/or the Combined Group's request(s) in response to regulatory action and/or the regulator indicates that such shareholder is not suitable (a determination which in all practical effects is at the sole discretion of such regulator) to be the holder (legal or beneficial) of interests in Ordinary Shares. Accordingly, to the extent a relevant threshold of ownership is passed, or to the extent any shareholder may be found by any such regulator to be able to exercise significant or relevant financial influence over the Combined Group and is considered by a regulator to be unsuitable, there can be no assurance that any given holder of an interest in Ordinary Shares may not be subject to such restrictions or compelled to sell its Ordinary Shares (or have such Ordinary Shares sold on its behalf). If a holder of an interest in Ordinary Shares is required to sell its interests in Ordinary Shares (or have such Ordinary Shares sold on its behalf), subject to the Articles, any such sale may be required at a time, price or otherwise on terms not acceptable to such holder. Holders of interests in Ordinary Shares should be aware that Combined Group accepts no responsibility whatsoever for any loss which any such holder may suffer as a result of the sale of any interests in Ordinary Shares held by him in connection with the exercise by Combined Group of the powers referred to above. Please refer to paragraph 6.8 of Part IX (*Additional Information*) for further details of the relevant provisions of the Articles.

RISKS ASSOCIATED WITH HOLDING OF ORDINARY SHARES

53. The share price of the New Paddy Power Betfair Shares could be subject to significant fluctuations

The value of an investment in the Ordinary Shares of Paddy Power Betfair may go down as well as up. The market value of the Ordinary Shares can fluctuate and may not always reflect the underlying asset value. A number of factors may impact on the price of the Ordinary Shares, including, but not limited to, (i) variations in the Combined Group's operating results, (ii) possible differences between the actual results and the results that were expected by investors and analysts, (iii) the Combined Group's implementation of strategic and operational plans, (iv) fluctuations in the trading volume of the Ordinary Shares resulting in changes in the market price for such Ordinary Shares without any apparent correlation to the earnings of the Combined Group, and (v) general market conditions.

54. Any future non pre-emptive Ordinary Share issues would dilute holders of Ordinary Shares

It is possible that, in the future, Paddy Power Betfair may decide to issue/offer Ordinary Shares on a non-pre-emptive basis. Consequently, the proportionate ownership and voting interests of holders of Ordinary Shares would be diluted and could have an adverse effect on the market price of Ordinary Shares as a whole. In addition, significant sales of Ordinary Shares by major shareholders, in the absence of

market demand for such Ordinary Shares, could have an adverse effect on the market price of the Ordinary Shares as a whole.

55. The ability of shareholders outside Ireland to enforce their pre-emption or other rights may be restricted by the securities laws of other jurisdictions

Paddy Power is incorporated in Ireland. Irish company law grants (and following Admission will grant) Shareholders in Paddy Power Betfair pre-emption rights on offers of shares, which may be dis-applied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict Paddy Power Betfair's ability to allow participation by Shareholders in those jurisdictions in future offerings, or the exercise of other rights by those Shareholders. In particular, Shareholders in the United States may not be entitled to exercise pre-emption rights unless those rights and shares are registered under the US Securities Act, or the rights and shares are offered pursuant to an exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

56. The dividend policy of Paddy Power Betfair will be dependent on the financial condition of the Combined Group

Paddy Power Betfair will only be able to pay dividends to holders of its shares to the extent that it has sufficient distributable reserves and cash available for this purpose and Paddy Power Betfair may decide to use all or part of such cash for another purpose, for example, to invest in and further develop the Combined Group's business. Upon payment of the Special Dividend, Paddy Power's net cash balance will reduce by €80 million. There is no guarantee that Paddy Power Betfair will be able to make dividend payments in the future or to sustain dividend payments at any particular level.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors of Paddy Power plc	Gary McGann	(Chairman)
	Andy McCue	(Chief Executive Officer)
	Cormac McCarthy	(Chief Financial Officer)
	Tom Grace	(Senior Independent Director)
	Michael Cawley	(Non-Executive Director)
	Danuta Gray	(Non-Executive Director)
	Ulric Jerome	(Non-Executive Director)
	Stewart Kenny	(Non-Executive Director)
	Pádraig Ó Ríordáin	(Non-Executive Director)
Company Secretary of Paddy Power plc	Edward Traynor	(Company Secretary)
Directors of Betfair Group plc	Gerald Corbett	(Chairman)
	Breon Corcoran	(Chief Executive Officer)
	Alex Gersh	(Chief Financial Officer)
	Mark Brooker	(Chief Operating Officer)
	Ian Dyson	(Senior Independent Director)
	Zillah Byng Maddick	(Non-Executive Director)
	Peter Jackson	(Non-Executive Director)
	Leo Quinn	(Non-Executive Director)
	Peter Rigby	(Non-Executive Director)
Company Secretary of Betfair Group plc	Fiona Russell	(Company Secretary)
Directors of Paddy Power Betfair plc	Gary McGann	(Chairman)
	Breon Corcoran	(Chief Executive Officer)
	Andy McCue	(Chief Operating Officer)
	Alex Gersh	(Chief Financial Officer)
	Ian Dyson	(Senior Independent Director)
	Zillah Byng-Maddick	(Non-Executive Director)
	Michael Cawley	(Non-Executive Director)
	Danuta Gray	(Non-Executive Director)
	Peter Jackson	(Non-Executive Director)
	Stewart Kenny	(Non-Executive Director)
	Pádraig Ó Ríordáin	(Non-Executive Director)
	Peter Rigby	(Non-Executive Director)

**Registered Office and
Principal Executive Office of
Paddy Power plc**
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as to Irish Law**
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**Corporate Broker to Paddy
Power plc**
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**Financial Adviser and Corporate Broker to
Betfair Group plc**
Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB
United Kingdom

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Prospective investors should take note of the dates and times set forth in the schedule below in connection with the Merger. These dates and times may be changed by the Combined Group in accordance with the terms and conditions of the Merger, as described in this Prospectus.

Publication of this Prospectus	30 November 2015
Latest time and date for receipt of Forms of Proxy for the Betfair Court Meeting	11.00 a.m. on 17 December 2015
Latest time and date for receipt of Forms of Proxy for the Betfair General Meeting	11.15 a.m. on 17 December 2015
Scheme Voting Record Time	6.00 p.m. on 17 December 2015
Latest time and date for receipt of Forms of Proxy for the Paddy Power EGM	11.15 a.m. on 19 December 2015
Betfair Court Meeting	11.00 a.m. on 21 December 2015
Paddy Power EGM	11.15 a.m. on 21 December 2015
Betfair General Meeting	11.15 a.m. on 21 December 2015

The following dates are indicative only and subject to change.¹

Court Hearing to sanction the Scheme	A date expected to be in the first quarter of 2016, subject to regulatory clearances (“D”)
Filing of Court Order	D
Last day of dealings in Betfair Shares	D
Delisting of Betfair Shares from the London Stock Exchange	5.00 p.m. D
Scheme Record Time	6.00 p.m. on D
Effective Date	D + 1
Expected Admission and commencement of dealings in New Paddy Power Betfair Shares, Completion	D + 1
CREST accounts of holders of Betfair Shares in uncertificated form credited with New Paddy Power Betfair Shares	D + 1

Paddy Power will make appropriate announcements to a Regulatory Information Service promptly after the Paddy Power EGM giving details of the results thereof and on Admission giving details of the number of New Paddy Power Betfair Shares that have been issued.

¹ These dates are indicative only and assume that the requisite regulatory clearances have been obtained and the other Conditions to Completion have been satisfied before the date estimated for Completion. The expected dates following the Court Hearing will depend, among other things, on the date upon which the Court sanctions the Merger and the timing of the satisfaction of all the Conditions to Completion. If any of the above times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service.

IMPORTANT INFORMATION

Language of the Prospectus

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Presentation of financial information

The Combined Group's financial year will be 1 January to 31 December. Paddy Power Betfair will prepare its consolidated financial statements in accordance with the IFRS, as issued by the IASB, and its reporting currency will be pounds sterling. The Combined Group's consolidated primary financial statements will continue to be governed by IFRS after Completion.

Rounding

Certain figures contained in this Prospectus or in the documents incorporated by reference herein, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus or in the documents incorporated by reference herein may not conform exactly to the total figure given for that column or row.

Currencies

In this Prospectus, references to “**US dollar**”, “**USD**” and “**\$**” are to the lawful currency of the United States, references to “**pounds sterling**”, “**GBP**” and “**£**” are to the lawful currency of the United Kingdom, references to “**euro**”, or “**EUR**” and “**€**” are to the lawful currency of Ireland and to such other members states of the EU that have adopted euro as their currency and references to “**AUD**” and “**Australian dollar**” are to the lawful currency of Australia.

Forward-looking Statements

This Prospectus and the documents incorporated herein contain statements about Paddy Power, Betfair and the Combined Group that are or may be forward looking statements. All statements other than statements of historical facts included in this Prospectus may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “**targets**”, “**should**”, “**continue**”, “**plans**”, “**believes**”, “**expects**”, “**aims**”, “**intends**”, “**will**”, “**may**”, “**anticipates**”, “**estimates**”, “**projects**” or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include all matters that are not historical facts and statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Paddy Power's, Betfair's or the Combined Group's operations and potential synergies resulting from the Merger; and (iii) the effects of government regulation on Paddy Power's, Betfair's or the Combined Group's business.

By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Combined Group's operations and the development of the markets and the industry, in which the Combined Group operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this Prospectus. In addition, even if the Combined Group's results of operations, financial position and growth, and the development of the markets and the industry, in which the Combined Group operates, are consistent with the forward looking statements contained in this Prospectus, those results of developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Combined Group to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in the Section “*Risk Factors*”. The forward-looking statements therein speak only at the date of this Prospectus and investors are cautioned not to place undue reliance on such forward looking statements. Save as required by the EU Prospectus Regulation, Prospectus Rules, the Market Abuse Rules, the Transparency Regulations and the Transparency Rules, the Disclosure and

Transparency Rules, the Irish Listing Rules, the UK Listing Rules, the Irish Stock Exchange and London Stock Exchange or by law, the Combined Group undertakes no obligation to update these forward looking statements and will not publicly release any revisions it may make to these forward looking statements that may occur due to any change in the Combined Group's expectations or to reflect events or circumstances after the date of this Prospectus. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

Calculation of Total Issued Ordinary Shares

Unless otherwise stated, all references to total issued Ordinary Shares in this Prospectus are calculated based on the issued share capital of Paddy Power as of the Latest Practicable Date, which consists of 44,054,597 Ordinary Shares. This number excludes 1,965,600 Ordinary Shares held in treasury by Paddy Power, the voting rights of which are suspended for as long as they are held in treasury.

Sources of Third-Party Information

The information set out in this Prospectus that has been sourced from third parties has been accurately reproduced and, so far as Paddy Power is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Prospectus, the source of such information has been identified.

Sources of Information about Paddy Power and Betfair

All information contained in this Prospectus relating to Paddy Power has been provided by Paddy Power and relating to Betfair has been provided by Betfair.

No Incorporation of Website Information

Save for information expressly stated to be incorporated by reference into this Prospectus as described in the Section "*Documents Incorporated by Reference*", information on or accessible through Paddy Power's corporate website, www.paddypowerplc.com and through Betfair's corporate website, <http://corporate.betfair.com> does not form part of and is not incorporated into this Prospectus.

Certain Defined Terms

Certain terms used in this Prospectus, including capitalised terms and certain technical and other items, are defined and explained in Part X (*Definitions*).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which Paddy Power and Betfair have filed with the Central Bank in accordance with the Prospectus Directive, are incorporated in and taken to form an integral part of this Prospectus:

Paddy Power

Paddy Power 2014 Annual Report and Accounts (accessible at <http://www.paddypowerplc.com/investor-relations/results-centre>)

Paddy Power 2013 Annual Report and Accounts (accessible at <http://www.paddypowerplc.com/investor-relations/results-centre>)

Paddy Power 2012 Annual Report and Accounts (accessible at <http://www.paddypowerplc.com/investor-relations/results-centre>)

Paddy Power 2015 Interim Results Announcement (accessible at <http://www.paddypowerplc.com/investor-relations/results-centre>)

Paddy Power 2014 Interim Results Announcement (accessible at <http://www.paddypowerplc.com/investor-relations/results-centre>)

Rule 2.7 Announcement dated 8 September 2015 (accessible at <http://www.paddypowerplc.com/investors/regulatory-news>)

Paddy Power 2015 November Interim Management Statement (accessible at <http://www.paddypowerplc.com/investors/regulatory-news>)

Betfair

Betfair 2015 Annual Report and Accounts (accessible at <http://corporate.betfair.com/investor-relations/annual-reports/2015.aspx>)

Betfair 2014 Annual Report and Accounts (accessible at <http://corporate.betfair.com/investor-relations/annual-reports/2014.aspx>)

Betfair 2013 Annual Report and Accounts
(<http://corporate.betfair.com/investor-relations/annual-reports/2013.aspx>)

Betfair 2016 Interim Results Announcement (accessible at <http://corporate.betfair.com/~media/Files/B/Betfair-Corporate/press-releases/2015/h1-results-announcement.pdf>)

Betfair 2015 Interim Results Announcement (accessible at <http://corporate.betfair.com/investor-relations/results-centre/2015.aspx>)

The following table indicates where information required pursuant to Annex I of the EU Prospectus Regulation to be disclosed in this Prospectus can be found in the documents incorporated by reference referred to above. The information incorporated by reference that is not referred to in the table below is considered additional information and is not required pursuant to Annex I of the EU Prospectus

Regulation. Prospective investors should read this Prospectus and the documents incorporated herein by reference in their entirety before making any investment decision in relation to the Merger.

Information incorporated by reference into this Prospectus	Reference document(s)	Title of Information	Page numbers in reference document		
Selected financial information (historical and interim, including comparatives)	Paddy Power 2014 Annual Report and Accounts	Independent Auditor's Report	62–64		
		Consolidated Income Statement	65		
		Consolidated Statement of Comprehensive Income	66		
		Consolidated Statement of Financial Position	67		
		Consolidated Statement of Cash Flows	68		
		Consolidated Statement of Changes in Equity	69–70		
		Notes to the Consolidated Financial Statements	71–118		
		Paddy Power Group Entities	117		
		Company Balance Sheet	119		
		Selected financial information (historical and interim, including comparatives)	Paddy Power 2013 Annual Report and Accounts	Independent Auditor's Report	57
Consolidated Income Statement	60				
Consolidated Statement of Comprehensive Income	61				
Consolidated Statement of Financial Position	62				
Consolidated Statement of Cash Flows	63				
Consolidated Statement of Changes in Equity	64				
Notes to the Consolidated Financial Statements	66–107				
Company Balance Sheet	108				
Selected financial information (historical and interim, including comparatives)	Paddy Power 2012 Annual Report and Accounts			Independent Auditor's Report	59–60
				Consolidated Income Statement	61
		Consolidated Statement of Comprehensive Income	62		
		Consolidated Statement of Financial Position	63		
		Consolidated Statement of Cash Flows	64		
		Consolidated Statement of Changes in Equity	65–66		
		Notes to the Consolidated Financial Statements	67–117		
		Company Balance Sheet	118		
		Selected financial information (historical and interim, including comparatives)	Paddy Power 2015 Interim Results Announcement	Condensed Consolidated Interim Income Statement (and comparative against previous year's interim results)	12
				Condensed Consolidated Interim Statement of Comprehensive Income (and comparative against previous year's interim results)	13
Condensed Consolidated Interim Statement of Financial Position (and comparative against previous year's interim results)	14				
Condensed Consolidated Interim Statement of Cash Flows (and comparative against previous year's interim results)	15				
Condensed Consolidated Interim Statement of Changes in Equity	16–17				

<u>Information incorporated by reference into this Prospectus</u>	<u>Reference document(s)</u>	<u>Title of Information</u>	<u>Page numbers in reference document</u>		
		Notes to the Condensed Consolidated Interim Financial Statements	18–31		
		Independent Auditor's Review Report	32		
Selected financial information (historical and interim, including comparatives)	Paddy Power 2014 Interim Results Announcement	Condensed Consolidated Interim Income Statement (and comparative against previous year's interim results)	13		
		Condensed Consolidated Interim Statement of Comprehensive Income (and comparative against previous year's interim results)	14		
		Condensed Consolidated Interim Statement of Financial Position (and comparative against previous year's interim results)	15		
		Condensed Consolidated Interim Statement of Cash Flows (and comparative against previous year's interim results)	16		
		Condensed Consolidated Interim Statement of Changes in Equity	17–18		
		Notes to the Condensed Consolidated Interim Financial Statements	19–33		
		Independent Auditor's Review Report	34		
Selected financial information (historical and interim, including comparatives)	Betfair 2015 Annual Report and Accounts	Independent Auditor's Report	78–80		
		Consolidated Income Statement	81		
		Consolidated Statement of Comprehensive Income	82		
		Consolidated Balance Sheet	83		
		Consolidated Statement of Cash Flows	85		
		Consolidated Statement of Changes in Equity	84		
		Notes to the Financial Statements	86–117		
		Company Balance Sheet	118		
		Selected financial information (historical and interim, including comparatives)	Betfair 2014 Annual Report and Accounts	Independent Auditor's Report	73
				Consolidated Income Statement	75
Consolidated Statement of Comprehensive Income	76				
Consolidated Balance Sheet	77				
Consolidated Statement of Cash Flows	79				
Consolidated Statement of Changes in Equity	78				
Notes to the Consolidated Financial Statements	80–115				
Company Balance Sheet	116				
Selected financial information (historical and interim, including comparatives)	Betfair 2013 Annual Report and Accounts			Independent Auditor's Report	57–58
				Consolidated Income Statement	59
		Consolidated Statement of Comprehensive Income	60		
		Consolidated Balance Sheet	61		
		Consolidated Statement of Cash Flows	63		
		Consolidated Statement of Changes in Equity	62		
		Notes to the Consolidated Financial Statements	64–98		
		Company Balance Sheet	99		

Information incorporated by reference into this Prospectus	Reference document(s)	Title of Information	Page numbers in reference document		
Selected financial information (historical and interim, including comparatives)	Betfair 2016 Interim Results Announcement	Condensed Consolidated Income Statement (and comparative against previous year's interim results)	11		
		Condensed Consolidated Statement of Comprehensive Income (and comparative against previous year's interim results)	12		
		Condensed Consolidated Balance Sheet (and comparative against previous year's interim results)	13		
		Condensed Consolidated Statement of Changes in Equity	14-16		
		Condensed Consolidated Statement of Cash Flows (and comparative against previous year's interim results)	17		
		Notes to the Condensed Consolidated Interim Financial Statements	18-28		
		Independent Auditor's Review Report	29		
		Selected financial information (historical and interim, including comparatives)	Betfair 2015 Interim Results Announcement	Condensed Consolidated Income Statement (and comparative against previous year's interim results)	12
				Condensed Consolidated Statement of Comprehensive Income (and comparative against previous year's interim results)	13
				Condensed Consolidated Balance Sheet (and comparative against previous year's interim results)	14
Condensed Consolidated Statement of Changes in Equity	15-17				
Condensed Consolidated Statement of Cash Flows (and comparative against previous year's interim results)	18				
Notes to the Condensed Consolidated Interim Financial Statements	19-28				
Independent Auditor's Review Report	29				

PART I: INFORMATION ON THE MERGER

1. The Merger

On 8 September 2015, the Boards of Paddy Power and Betfair announced they had agreed the terms of a recommended all-share merger of Paddy Power and Betfair. The Merger will create one of the world's largest public online betting and gaming companies by revenue with enlarged scale capability and distinctive complementary brands.

It is proposed that the Merger will be effected by way of a Court-sanctioned scheme of arrangement of Betfair under Part 26 of the UK Companies Act. It is proposed that Paddy Power will be renamed "Paddy Power Betfair plc" following Completion.

The Merger will result in Paddy Power Shareholders owning 52% of Paddy Power Betfair and Betfair Shareholders owning 48% of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the Merger, which is subject to the Conditions, Betfair Shareholders will be entitled to receive 0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share. The Scheme and the Conditions relating to the Merger are summarised in paragraphs 5 and 6 respectively of this Part I (*Information on the Merger*).

A Special Dividend of €80 million, which will be conditional upon Completion, will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the business day prior to Completion.

Paddy Power Betfair will be headquartered in Dublin and is expected to maintain a significant presence in both Ireland and the United Kingdom.

The New Paddy Power Betfair Shares will be allotted and issued credited as fully paid and will rank *pari passu* in all respects with Paddy Power Shares in issue at the time the New Paddy Power Betfair Shares are issued pursuant to the Merger, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date.

2. Reasons for and effect of the Merger

The Boards of Paddy Power and Betfair believe the Merger provides a compelling strategic fit for Paddy Power and Betfair for the following reasons:

- enhanced scale and capabilities such that the Combined Group will be better placed to compete in existing and new markets;
- complementary products, channels and capabilities which will give rise to revenue synergy opportunities;
- diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and continental Europe;
- a dual brand strategy in Europe utilising the distinctive and complementary brands of Paddy Power and Betfair; and
- synergies from efficiencies which reflect the complementary nature of the businesses and through building on the Combined Group's enlarged scale.

Enhanced scale and capabilities will leave the Combined Group better placed to compete in existing and new markets

The Combined Group will be one of the world's largest public online betting and gaming companies, with 80% of its combined revenues derived from online channels. The scale of the Combined Group will ensure it is better positioned to generate returns from investment in people, technology and marketing. The Boards of Paddy Power and Betfair believe the enhanced efficiency of operating at greater scale means that the Combined Group will be well positioned to compete in both existing and new markets and to create increased value for shareholders.

Complementary products, channels and capabilities will give rise to revenue synergy opportunities

The Boards of Paddy Power and Betfair believe that, given the complementary nature of the respective strengths of Paddy Power and Betfair and through the enhanced technology, branding, marketing and, most importantly, the combined skills and talent of the over 7,000 employees across the Combined Group, it will be able to provide its customers across all markets with an improved offering.

Diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and Continental Europe

The Combined Group will benefit from a diversified business with:

- online business to customer licences in UK, Australia, Ireland, USA, Italy, Spain, Bulgaria, Denmark, Romania, Gibraltar, Greece and Malta;
- a retail network in the UK and in Ireland supporting a multi-channel product offering; and
- business to business partnerships in Australia, France, Canada, Slovakia, Spain and the Czech Republic.

94% of the Combined Group's revenues will be derived from regulated markets. 80% of the Combined Group's revenues will be derived from online channels with the remaining 20% from retail and telephone channels.

The Combined Group will have customers from over 100 countries providing a base for further international expansion by utilising the combined scale and complementary strengths of Paddy Power and Betfair.

Dual brand strategy in Europe utilising the distinctive and complementary brands of Paddy Power and Betfair

Because of the broad range of customer segments served by Paddy Power and Betfair, the Combined Group plans to pursue a dual brand strategy in the UK, Ireland and Italy. The respective strength of both brands means the Combined Group will be better able to serve the needs of this diversified customer base through targeted products and marketing.

The Paddy Power brand is one of the betting and gaming industry's leading entertainment-led sports betting brands and has a proven track record of targeting the substantial recreational customer base. The Betfair brand, with its Betting Exchange heritage, resonates more strongly with customers with studied, knowledgeable and sophisticated betting habits who are attracted to Betfair's highly dynamic betting experience and complete market transparency that exchanges provide.

The two brands have limited customer overlap. For example, market research indicates that only 3% of regular UK online gamblers regularly bet with both Paddy Power and Betfair (*Source: Kantar Media Online Gambling Research Q3'14 to Q2'15*). Additionally, Paddy Power and Betfair have a complementary event mix with circa. 50% of Paddy Power's Sportsbook revenue derived from racing and circa. 35% from football, Betfair's Sportsbook derives circa. 66% of its revenue from football and 20% from racing.

Preserving the unique features and characteristics of each of the Paddy Power and Betfair brands will reinforce the Combined Group's ability to provide customers with attractive yet familiar product offerings.

Synergies from efficiencies which reflect the complementary nature of the businesses and through building on the Combined Group's enlarged scale

Following preliminary analysis undertaken by the Boards of Paddy Power and Betfair, significant cost and revenue synergies have been identified which reinforce the strategic rationale for the Merger and the significant value creation opportunity for shareholders. The Boards of Paddy Power and Betfair believe that the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately £50 million. It is expected that the benefit of the full level of identified synergies will be achieved in the third full year following Completion.

The potential sources of the recurring annual pre-tax cost synergies identified by the Boards of Paddy Power and Betfair include:

- synergies in IT, product development, marketing and other operational areas driven by optimising infrastructure, operations and platforms and product design and development, efficiencies in brand spend and agency fees and rationalising certain operational and support functions; and
- removal of duplication across corporate functions and facilities.

In addition to these potential quantified cost synergies, the Boards of Paddy Power and Betfair believe that significant further value can be created through providing the customers of both businesses with the best products and features and most convenient channels available from either business, utilising the best talent, infrastructure and commercial practices from each business and achieving greater returns from investment in the brand, technology and the employees of the Combined Group.

It is envisaged that the realisation of the potential quantified cost synergies will result in a one-off cash integration cost of approximately £65 million. This one-off cost, which will be incurred to specifically implement the cost synergies, will consist primarily of IT related costs but will also include costs associated with the removal of duplication across corporate functions and facilities. Aside from these one-off exceptional costs, no material dis-synergies are expected in connection with the Merger. The identified synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

In order to achieve the full potential benefits of the Merger and in the long-term interests of Paddy Power Betfair, a business, operational and administrative review will be undertaken following Completion. The Boards of Paddy Power and Betfair recognise the importance of the skill, experience and dedication of their employees and are committed to maintaining the necessary expertise to support the Combined Group. However, the realisation of potential quantified cost synergies will involve a reduction of headcount and places of business where there is opportunity to achieve efficiencies and rationalise the Combined Group's footprint. The Boards of Paddy Power and Betfair believe that approximately 50% of the estimated quantified cost savings will come from the reduction in headcount in the Combined Group while the remainder of the estimated quantified cost savings will come from non-payroll related efficiencies in IT, property, services and marketing.

The Boards of Paddy Power and Betfair's evaluation of these cost savings scenarios remain at a preliminary stage and proposals have not yet been developed as to how such cost savings will be implemented, including how specific employees or locations may be affected. This will depend on the outcome of the integration planning and these changes will only come into effect as synergies are realised over the three years post completion. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employees.

Paddy Power and Betfair will establish an integration team to ensure that the groups are combined, and all the benefits of the Merger are generated, on a timely basis following Completion. The Boards of Paddy Power and Betfair are confident that the integration of Paddy Power and Betfair can be achieved without undue disruption to the underlying operations of either business. The integration team work is based on a number of principles, which include:

- protecting the momentum and profitability of the businesses;
- retaining the best talent from Paddy Power and Betfair;
- operating with dual European brands but with a more focused positioning on their key target audiences;
- integrating technology infrastructure and platforms
- creating a shared operations team; and
- combining the existing corporate functions into a single corporate function.

Prior to the announcement of the possible Merger on 26 August 2015, discussions were held between senior finance, commercial and strategy personnel at Paddy Power and Betfair for the purposes of enabling the respective teams to quantify their initial estimates of potential synergies and associated costs available from the Merger. As part of this process, the Paddy Power and Betfair teams established a proposed framework operating model through which each team could refine their respective estimates of cost synergies.

Following the announcement of the possible Merger on 26 August 2015, the Paddy Power and Betfair teams aligned their respective analyses into a combined set of cost synergies estimates, details of which are set out in Appendix IV of the Announcement.

In preparing the estimated cost synergies, both Paddy Power and Betfair have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost synergies available from the Merger. In circumstances where data has been limited for commercial, competition or

other reasons, estimates and assumptions have been made to aid development of individual synergy initiatives.

The cost bases used as the basis for the quantification exercise are:

- in respect of Paddy Power, the seven months actual cost base to 31 July 2015 plus five months of the latest forecast cost base to 31 December 2015; and
- in respect of Betfair, the three months actual cost base to 31 July 2015 plus nine months of the latest forecast cost base to 30 April 2016.

These statements of estimated cost synergies reflect both the beneficial elements and relevant costs. These statements of estimated cost synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, these statements of estimated cost synergies are the responsibility of the Paddy Power Directors, in Paddy Power's capacity as offeror under the terms of the Merger.

These statements are not intended as a profit forecast and should not be interpreted as such. The Paddy Power Directors and the Proposed Directors confirm that there have been no material changes to these statements which were set out in Appendix IV of the Announcement and which remain valid. KPMG and Morgan Stanley have also confirmed to Paddy Power that the reports they produced in connection with these statements continue to apply.

3. Information relating to the Combined Group following the Merger

3.1 Change of name and registered office

It is intended that a resolution to change the name of Paddy Power to "Paddy Power Betfair plc", to take effect on or about Completion, will be put to Paddy Power Shareholders at the Paddy Power EGM.

The registered office of Paddy Power Betfair will be Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04 V972, Ireland.

3.2 Accounting considerations

The Paddy Power financial year ends on 31 December and the Betfair financial year ends on 30 April.

It is intended that Paddy Power Betfair will have an accounting financial year ending on 31 December and that it will pay an interim dividend in September and a final dividend in May. It is also expected that Paddy Power Betfair's reporting currency will be pounds sterling.

For accounting purposes, it is expected that Betfair will be consolidated into Paddy Power's balance sheet. A fair value exercise in respect of Betfair's assets and liabilities will be conducted following Completion, resulting in Betfair's assets and liabilities being included at fair value on the Combined Group's balance sheet. Intangible assets arising will include goodwill and brands.

3.3 Listing, dealings and settlement of the New Paddy Power Betfair Shares

Applications will be made to the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange, respectively for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Paddy Power Betfair Shares will commence on the London Stock Exchange and the Irish Stock Exchange at 8.00 a.m. on or shortly after the Effective Date.

3.4 Delisting of Betfair Shares

Prior to the Scheme becoming Effective, applications will be made to the UK Listing Authority for the cancellation of the listing of the Betfair Shares on the Official List of the FCA and to the London Stock Exchange for the cancellation of trading of the Betfair Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Effective Date.

On the Effective Date, Betfair will become a wholly-owned subsidiary of Paddy Power and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled. Betfair Group plc will be re-named Betfair Group Limited following Completion.

3.5 Listing and indexation

In accordance with the current listings of Paddy Power and Betfair, it is expected that Paddy Power Betfair will be listed on the premium listing segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's main market for listed securities.

From Completion, it is also expected that Paddy Power Betfair will be reclassified from its current primary listing on the Irish Stock Exchange to the secondary listing segment of the Irish Stock Exchange's Main Securities Market as an overseas company. It is intended that the reclassification to a secondary listing as an overseas company would become effective on Completion.

Based on initial discussions, FTSE has indicated to the Boards of Paddy Power and Betfair that, reflecting the proposed listings of Paddy Power Betfair, it would anticipate allocating a UK nationality classification to Paddy Power Betfair for the purposes of ongoing inclusion in the FTSE UK Index Series and the FTSE Global Index Series following Completion. As such, it is anticipated that Paddy Power Betfair would be eligible for inclusion in the FTSE All-Share and the FTSE 250 or FTSE 100 as appropriate.

3.6 Management, employees and head office location

Following Completion, the Board of Paddy Power Betfair will be drawn equally from the boards of both companies and will include twelve directors, including eight non-executive directors. Further information on the Board of Paddy Power Betfair is set out in Part III (*Board of Directors and Corporate Governance of Paddy Power and the Combined Group*).

Following Completion:

- Gary McGann, Chairman of Paddy Power, will become Chairman of Paddy Power Betfair;
- Breon Corcoran, Chief Executive Officer of Betfair, will become Chief Executive Officer of Paddy Power Betfair;
- Andy McCue, Chief Executive Officer of Paddy Power, will become Chief Operating Officer of Paddy Power Betfair; and
- Alex Gersh, Chief Financial Officer of Betfair, will become Chief Financial Officer of Paddy Power Betfair.

In addition, the Board of Paddy Power Betfair will include the following non-executives: Michael Cawley, Danuta Gray, Stewart Kenny and Pádraig Ó'Ríordáin will be the non-executive directors appointed from Paddy Power and Zillah Byng-Maddick, Ian Dyson, Peter Jackson and Peter Rigby will be the non-executive directors appointed from Betfair.

Cormac McCarthy, Tom Grace and Ulric Jerome will step down from the Paddy Power Board upon the Scheme becoming Effective. Each of the Paddy Power Directors stepping down from the Paddy Power Board is fully supportive of the rationale for the Merger and of its terms and conditions.

Gerald Corbett, Mark Brooker and Leo Quinn will step down from the Betfair Board upon the Scheme becoming Effective and will not join the Paddy Power Betfair Board. Each of the Betfair Directors who will not join the Paddy Power Betfair Board is fully supportive of the rationale for the Merger and of its terms and conditions.

Paddy Power and Betfair recognise the skills and experience of their respective management and employees and expect the management teams of both Paddy Power and Betfair to play a leading role in the combined business in the future and that employees will benefit from the greater opportunities for the business following Completion.

Following Completion, the head office of the Combined Group will be located at Paddy Power's existing head office in Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04 V972, Ireland.

3.7 Dilution

Subject to Completion, it is expected that up to 39,542,456 New Paddy Power Betfair Shares will be issued to Betfair Shareholders. This will result in Paddy Power's issued share capital increasing by 89.76% and the Paddy Power Shareholders (who currently own 100% of the issued share capital of Paddy Power) suffering immediate dilution as a result of the Merger following which they will hold 52% of Paddy Power Betfair and the Betfair Shareholders will hold 48% of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.

4. Structure of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Betfair and the Betfair Shareholders, under Part 26 of the UK Companies Act, under which Paddy Power will acquire all of the Betfair Shares. However, Paddy Power reserves the right to implement the Merger by way of a Merger Offer, subject to Panel consent and the terms of the Co-operation Agreement.

The purpose of the Scheme is to provide for Paddy Power to become the holder of the entire issued and to be issued ordinary share capital of Betfair. This is to be achieved by the transfer of the Betfair Shares to Paddy Power in consideration for which Betfair Shareholders will receive New Paddy Power Betfair Shares on the basis set out in paragraph 2 of this Part I (*Information on the Merger*).

Upon the Scheme becoming Effective, it will be binding on all Betfair Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Betfair General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled.

Betfair Shares will be acquired by Paddy Power pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Paddy Power and Betfair agree.

The New Paddy Power Betfair Shares issued to Betfair Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Paddy Power Shares, including the right to receive dividends and other distributions declared, made or paid on Paddy Power Shares by reference to a record date falling after the Effective Date. For the avoidance of doubt, the New Paddy Power Betfair Shares will not carry any entitlement to the Special Dividend, the Paddy Power Closing Dividend and the Paddy Power 2015 Dividend. The New Paddy Power Betfair Shares will be issued in registered form and will trade under the same ISIN number as the existing Paddy Power Shares (IE00BWT64894).

Fractions of New Paddy Power Betfair Shares will not be allotted or issued to Betfair Shareholders and entitlements will be rounded down to the nearest whole number of New Paddy Power Betfair Shares and all fractions of New Paddy Power Betfair Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of such a sale (after deduction of all expenses and commissions incurred in connection with the sale) will be paid by Paddy Power Betfair in due proportions to Betfair Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will be retained for the benefit of the Combined Group.

If the Scheme does not become Effective on or before the Long Stop Date (or such later date as Paddy Power and Betfair may agree with the consent of the Panel), it will lapse and the Merger will not proceed.

5. Conditions

The Merger will be subject to the Conditions (which are summarised below and set out in full in the Scheme Document). The Scheme and the Merger are conditional, amongst other things, on:

- the Court Meeting and the Betfair General Meeting being held on or before the 22nd day after the expected date of such meetings (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);

- the approval of the Scheme by a majority in number representing not less than 75% in value of the Betfair Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- the approval of, amongst other things, such of the Betfair Resolutions as are necessary to implement the Merger by the requisite majorities of Betfair Shareholders at the Betfair General Meeting (or any adjournment thereof);
- the Scheme being sanctioned by the Court (with or without modification, on terms agreed by Paddy Power and Betfair) on or before the 22nd day after the expected date of the Court Hearing to sanction the Scheme (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the Scheme becoming unconditional and effective no later than the Long Stop Date (or such later date as Paddy Power and Betfair may, with the consent of the Panel, agree and the Court may allow) and the delivery of the office copy of the Court Order to the Registrar of Companies;
- all relevant anti-trust approvals being obtained;
- approval of such of the Paddy Power Resolutions as are necessary to implement the Merger by the requisite majorities of Paddy Power Shareholders at the Paddy Power EGM (or any adjournment thereof); and
- the UK Listing Authority, the London Stock Exchange and Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Paddy Power Betfair Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange acknowledging to Paddy Power Betfair or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market.

6. Irrevocable undertakings

In aggregate, Paddy Power and Betfair have received irrevocable undertakings from:

- all the Betfair Directors who hold or are beneficially entitled to (or may, upon the exercise or vesting of options and/or awards, hold or become beneficially entitled to) Betfair Shares to vote in favour of the Scheme at the Court Meeting and the Betfair Resolutions to be proposed at the Betfair General Meeting, comprising:
 - an aggregate of 372,888 Betfair Shares, representing, in aggregate, approximately 0.401% of Betfair's ordinary share capital in issue on the Latest Practicable Date; and
 - an aggregate of 1,609,260 Betfair Shares which may be issued upon the exercise or vesting of options and/or awards, representing, in aggregate, approximately 1.665% of Betfair's fully diluted ordinary share capital in issue on the Latest Practicable Date; and
- all the Paddy Power Directors who hold or are beneficially entitled to (or may, upon the exercise or vesting of options and/or awards, hold or become beneficially entitled to) Paddy Power Shares to vote in favour of the Paddy Power Resolutions to be proposed at the Paddy Power EGM to approve the Merger and related matters, comprising:
 - an aggregate of 407,223 Paddy Power Shares, representing, in aggregate, approximately 0.924% of Paddy Power's ordinary share capital in issue on the Latest Practicable Date; and
 - an aggregate of 126,062 Paddy Power Shares which may be issued upon the exercise or vesting of options and/or awards, representing, in aggregate, approximately 0.284% of Paddy Power's fully diluted share capital in issue on the Latest Practicable Date.

7. Share Schemes

Paddy Power and Betfair have agreed that the participants in the Paddy Power Share Schemes will be treated equitably with the participants in the Betfair Share Schemes in determining whether any adjustment to their entitlements is necessary to reflect the impact of the Merger on those schemes.

7.1 Betfair Long Term Incentive Plan

Paddy Power and Betfair have agreed that outstanding unvested awards granted under the Betfair Long Term Incentive Plan (“**Betfair LTIP Awards**”) in 2013/14, 2014/15 and 2015/16 will not vest on Completion but will be replaced by awards over an equivalent number of Ordinary Shares (calculated by reference to the Exchange Ratio) which will have the same normal vesting dates as the original awards but be subject to certain absolute vesting levels.

The vesting levels of the replacement awards will be crystallised on grant reflecting the extent to which the Betfair Remuneration Committee considers that the performance conditions applying to the relevant awards would have been satisfied at the end of the original vesting periods (the “**Betfair Fixed Vesting Level**”). The Betfair Fixed Vesting Levels for each of the awards will be as follows:

- 2013/14 Betfair LTIP Awards—100% of the underlying shares vesting in full on the normal vesting dates between July 2016 and April 2017;
- 2014/15 Betfair LTIP Awards—100% of the underlying shares vesting in full on the normal vesting dates between June 2017 and March 2018; and
- 2015/16 Betfair LTIP Awards—a proportion of the underlying shares vesting in full on the normal vesting date in July 2018 or, if later, three years after the applicable date of grant. This proportion will be the time-pro rata proportion of the three year vesting period (from the date of grant) which has elapsed at the later of the date of Completion and the date on which the 2015 Performance Based Award (as defined below) becomes effective.

In the case of the 2015/16 Betfair LTIP Awards, an additional replacement award will be granted in respect of the balance of the awards that is not reflected in the Betfair Fixed Vesting Level which will be capable of vesting on the third anniversary of the date of grant according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied (the “**2015 Performance Based Award**”). These performance conditions will be set by the Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Betfair performance conditions had the Merger not occurred, taking account of the performance of Betfair in the period up to Completion.

7.2 Betfair Sharesave Plan and Betfair Irish Sharesave Plan

Options granted under the Betfair Sharesave Plan and the Betfair Irish Sharesave Plan will be exercisable for a period of six months following the date of the Court Order. These options will be exercisable over Betfair Shares to the extent of savings made under the related savings contracts at the time of exercise. Paddy Power will offer participants in the Betfair Sharesave Plan and the Betfair Irish Sharesave Plan the opportunity (as an alternative to exercise) to exchange their options over Betfair Shares for equivalent options over Ordinary Shares which will be eligible to vest at the normal maturity dates. The basis on which the exchange will be calculated will be subject to any approvals that may be required of relevant tax authorities.

7.3 Other Betfair Share Schemes

Options granted over Betfair Shares under the Betfair Long Term Incentive Plan, the Betfair Option Agreement, the Betfair Restricted Share Awards Plan and the Betfair Deferred Share Incentive Plan which have vested and become exercisable before, and are outstanding at, the date of the Court Order will remain exercisable for periods of 30 days (in respect of the Betfair Long Term Incentive Plan and the Betfair Option Agreement), 40 days (in respect of the Betfair Restricted Share Awards Plan) and one month (in respect of the Betfair Deferred Share Incentive Plan) following the date of the Court Order. Paddy Power will offer participants holding such vested options the opportunity (as an alternative to exercise) to exchange such options for equivalent vested options over New Paddy Power Betfair Shares (calculated by reference to the Exchange Ratio). These replacement options will continue to be exercisable until the normal lapse dates that would have applied to the original options over Betfair Shares had the

Merger not occurred (being not later than the tenth anniversary of the grant date of the original option). Options over Betfair Shares which are not either exercised or exchanged as described above will lapse.

Unvested options granted over Betfair Shares under the Betfair Restricted Share Awards Plan and the Betfair Deferred Share Incentive Plan which are outstanding at the date of the Court Order will vest in full in accordance with the applicable rules on the date of the Court Order and will be exercisable for 40 days (in respect of the Betfair Restricted Share Awards Plan) and one month (in respect of the Betfair Deferred Share Incentive Plan) following the date of the Court Order. Paddy Power will offer participants holding such options the opportunity (as an alternative to exercise) to exchange such options for equivalent vested options over New Paddy Power Betfair Shares (calculated by reference to the Exchange Ratio). These replacement options will be exercisable until the normal lapse dates that would have applied to the original options over Betfair Shares had the Merger not occurred (being not later than the tenth anniversary of the grant date of the original option). Such options over Betfair Shares which are not either exercised or exchanged as described above will lapse.

Options granted over Betfair Shares under the Betfair Unapproved Share Option Plan and outstanding awards granted over Betfair Shares under the 2010 Equity US Subplan to the Betfair Deferred Share Incentive Plan and the Betfair Unapproved Share Option Plan which are outstanding at the date of the Court Order will, to the extent not already vested, vest in full in accordance with the rules of the applicable plans on the date of the Court Order. Options under the Betfair Unapproved Share Option Plan will be exercisable for a period of 40 days following the date of the Court Order, at the end of which time they will lapse.

Options granted over Betfair Shares under the Betfair Approved Company Share Option Plan, the Betfair Management Incentive Plan and the Betfair Stakeholder Plan which have vested and become exercisable before, and are outstanding at, the date of the Court Order will remain exercisable for periods of six months (in respect of the Betfair Approved Company Share Option Plan) and 30 days (in respect of the Betfair Management Incentive Plan) following the date of the Court Order and 30 days following the Effective Date (in respect of the Betfair Stakeholder Plan) at the end of which time they will lapse.

7.4 Paddy Power Long Term Incentive Plan

Paddy Power and Betfair have agreed that outstanding awards granted under the Paddy Power Long Term Incentive Plan (“**Paddy Power LTIP Awards**”) in 2013, 2014 and 2015 will not vest on Completion but will have the same normal vesting dates subject to certain absolute vesting levels.

The vesting levels of the Paddy Power LTIP Awards will be crystallised on Completion reflecting the extent to which the Remuneration Committee considers that the performance conditions applying to the relevant Paddy Power LTIP Awards would have been satisfied at the end of the original vesting periods (the “**Paddy Power Fixed Vesting Level**”). The Paddy Power Fixed Vesting Levels for each of the awards will be as follows:

- 2013 Paddy Power LTIP Awards—100% of the underlying shares vesting in full on the normal scheduled vesting dates in 2016;
- 2014 Paddy Power LTIP Awards—100% of the underlying shares vesting in full on the normal scheduled vesting dates in 2017; and
- 2015 Paddy Power LTIP Awards—a proportion of the underlying shares vesting in full on the normal scheduled vesting dates in 2018. This proportion will be the time-pro rata proportion of the three year vesting period (from date of grant) which has elapsed at the date of Completion.

In the case of the 2015 Paddy Power LTIP Awards, the balance of the awards not reflected in the Paddy Power Fixed Vesting Level will remain outstanding and will be capable of vesting in 2018 according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied. The existing performance conditions for such balance of the existing 2015 awards will be adjusted by the Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Paddy Power performance conditions had the Merger not occurred, taking account of the performance of Paddy Power in the period up to Completion.

7.5 Paddy Power Sharesave Scheme

Options granted under the Paddy Power Sharesave Scheme will remain unchanged and will continue in accordance with their terms.

7.6 Paddy Power Share Option Scheme

Options granted under the Paddy Power Share Option Scheme will remain unchanged and will continue in accordance with their terms.

7.7 New Paddy Power Betfair Schemes

The Paddy Power Circular contains a number of resolutions in respect of the adoption of new share based incentive plans. If adopted, the new share based incentive plans will be used by Paddy Power Betfair to incentivise employees following Completion of the Merger. For a summary of the proposed share based incentive plans, please refer to paragraph 9 of Part IX (*Additional Information*) and Appendix I of the Paddy Power Circular.

PART II: OVERVIEW OF BUSINESS OF THE COMBINED GROUP

Section A: Information on Paddy Power

The following information should be read in conjunction with the information appearing elsewhere in this Prospectus, including the financial and other information in Part IV (*Operating and Financial Review*) and Part V (*Historical Financial Information*). The financial information included in this Section A “*Information on Paddy Power*” has been extracted without material adjustment from Part IV (*Operating and Financial Review*) or the financial information included in Part V (*Historical Financial Information*).

1. The Paddy Power Group

Paddy Power is an international multichannel betting and gaming group operating primarily in the United Kingdom, Ireland, Australia, and Italy. As at 30 June 2015, Paddy Power had 584 betting shops in Ireland and the United Kingdom and had over 1.8 million active online customers worldwide in the six months ended on that date.

Paddy Power was formed in 1988 through the merger of three independent bookmakers. In December 2000, Paddy Power plc listed on the Dublin and London Stock Exchanges and launched its website, paddypower.com. In 2002, Paddy Power opened its first betting shop in the United Kingdom. Between 2004 and 2006, Paddy Power launched its e-gaming platform via paddypowergames.com, paddypowercasino.com, paddypowerpoker.com and paddypowerbingo.com. In 2009, Paddy Power entered the Australian market through the acquisitions of Sportsbet and IAS and in 2010, Paddy Power became the first online bookmaker to launch a mobile application. In 2012 Paddy Power entered the online Italian market by launching paddypower.it.

The Paddy Power Group has a strong track record of growth in revenues and profits. In the period since flotation (2000-2014) compound annual growth in revenues and earnings per share has been 24% and 26%, respectively. This growth has been achieved by the Paddy Power Group continually adapting to a rapidly changing consumer and industry environment, in particular, the migration of traditional betting and gaming from retail to online and increased smartphone penetration and usage.

Paddy Power holds gambling licences in the UK, Ireland, Italy, Australia, Alderney, Isle of Man and Greece.

Paddy Power is headquartered in Dublin, Ireland and employs over 5,000 people worldwide.

2. Description of the business

The Paddy Power Group delivers sports betting and gaming products to customers via three channels; retail, online and telephone. Sports betting is provided across the Paddy Power Group’s three channels and its full suite of gaming products is provided online (excluding Australia) with selected gaming products also provided in UK retail through fixed-odds betting terminals.

Sports betting

Paddy Power’s fixed-odds Sportsbook offers customers the opportunity to place bets on the likelihood of an event occurring. Paddy Power is a market leader in terms of the range of sports and markets in which it offers its customers the opportunity to place bets. In 2014, over €4.6 billion was staked on sports events online with a further €1.8 billion staked in retail and €0.6 billion stake via telephone. Within online an increasing proportion of stakes are placed via mobile devices with 64% of all online sports betting stakes being placed via mobile in the six months ended 30 June 2015.

Gaming

Paddy Power’s gaming product suite allows customers to bet on a range of skill based games or games of chance and also offers peer to peer games. Paddy Power’s gaming products can be subdivided into four segments: casino, poker, bingo and games. The Paddy Power Group provides a combination of third party content and proprietary games reflecting a shift to in-house developed products in order to differentiate from competitors. In the first six months of 2015, 22% of total eGaming revenues were generated from games created by the Paddy Power Group’s development base in Bulgaria.

3. Sources of revenue

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Net Revenue by Division					
Online (ex Australia)	263.1	299.7	334.6	147.9	200.1
Online Australia	156.4	179.6	226.9	98.6	151.5
UK Retail	101.3	127.5	173.9	79.6	108.3
Irish Retail	110.4	115.6	126.6	62.4	71.3
Telephone	22.5	22.6	19.5	8.0	(3.3)
Paddy Power Group Net Revenue	653.8	745.2	881.6	396.5	527.8

4. Principal segments

Paddy Power's business is divided into three business segments; online, retail and telephone. These segments accounted for 64%, 34% and 2% respectively of 2014 annual revenues.

4.1 Online

The Paddy Power Group's online scale continues to increase significantly, all generated via organic growth in legal, regulated markets.

Over three-quarters of the Paddy Power Group's operating profit is now generated online.

	Year ended 31 December		
	2012	2013	2014
	€m	€m	€m
Online operating profit	102.1	108.1	126.6
As a % of Group operating profit	75%	79%	77%

Online Europe—Paddy Power

Online Europe includes UK, Ireland, Italy as well as the Paddy Power Group's business-to-business activities. It covers both Sportsbook and eGaming. Online Europe originated in 2000 with the launch of paddypower.com in the UK and Ireland. The Paddy Power Group's Italian business, paddypower.it was launched in 2012.

Online Europe has demonstrated consistent growth, with net revenue of €334.6 million in 2014, up 12% on 2013. This is comprised of €194.2 million in Sportsbook revenue and €140.5 million in eGaming and other net revenue. Operating profit was €75.3m which represents 46% of group operating profit. Over 1.8 million business-to-customer customers were active in the year.

Mobile has been a key growth driver of growth in recent years. In the six month period ended 30 June 2015, 64% of online Sportsbook stakes and 55% of eGaming net revenue was generated on mobile.

The progress made in implementing the Paddy Power Group strategy is reflected in the performance in the six month period ended 30 June 2015. Net revenue increased by 26%, outgrowing the Paddy Power Group's closest competitors.

Online Australia—Sportsbet

Online Australia was formed in 2009 when Paddy Power acquired a 51% stake in Sportsbet, then subsequently acquiring the remaining 49% share over 2010 and 2011. Since acquisition, sportsbet.com.au has grown considerably to become one of the largest online brands in Australia based on brand awareness (*Source: Toluna Brand and Awareness Tracker (Jul'15)*). The business offers sports betting online and via the telephone.

The segment has grown consistently in recent years by investing in innovative, differentiated product and distinctive brand and marketing capabilities. In 2014, Online Australia contributed net revenue of

€226.9 million or 26% of group revenue. Over 570,000 customers were active in 2014, representing an increase of 38% on 2013.

Similar to Online Europe, mobile growth has outpaced other channels, with mobile stakes increasing by over 225% between 2012 and 2014, accounting for 64% of online stakes in the six month period ended 30 June 2015.

With continued investment in innovative product, forecast marketing spend in 2015 to double that of 2013 and high brand awareness in the market, Paddy Power believes that Sportsbet is well positioned to maintain its positive momentum.

4.2 Retail

As at 30 June 2015 Paddy Power had almost 600 betting shops across Ireland and the United Kingdom and which contributed €300.5 million or 34% of 2014 group net revenues. The Paddy Power Group continues its selective policy of opening or acquiring new shops that meet its investment criteria.

Paddy Power believes that its betting shops are recognised by its consumers for their leading entertainment experience, superior technology, and multi-channel offering. Given its shops turnover more than double the average competitor's units (*Source: Irish Revenue betting duty tax returns; quoted UK competitors' disclosures*) Paddy Power believes that it is uniquely placed to invest in its retail offer. As a result, operating profits have grown by 18% on average over the three years to 2014, despite increased taxes and regulation.

UK Retail

Paddy Power entered the UK retail market in 2002. Since then, Paddy Power has opened or acquired over 330 shops in the UK. In 2014, it contributed €173.9 million of net revenue representing 19.7% of group net revenue and an increase of 30% on 2013 or 8% on a like-for-like basis (excluding the impact of new shop openings).

In 2012, Paddy Power opened 44 new shops, 9 of which were acquired at an average capital cost of €350,000 (£284,000). In 2013, Paddy Power opened 57 new shops, 15 of which were acquired at an average capital cost of €335,000 (£283,000). The average cost per unit for organic openings was €305,000 (£259,000). In 2014, Paddy Power opened 55 new shops, 8 of which were acquired. The average capital cost per unit acquired was €367,000 (£295,000) and the average cost per organic opening was €334,000 (£268,000). In the period ended 30 June 2015, Paddy Power opened 14 new shops, 2 of which were acquired. The average capital cost per unit acquired was €394,000 (£284,000) and the average cost per organic opening was €387,000 (£278,000).

Irish Retail

Irish Retail was formed in 1988 following the merger of 3 Irish bookmakers having a total of 40 betting shops. Since then, it has grown to over 250 shops. In 2014, it contributed €126.6 million of net revenue representing 8.1% of group net revenue and an increase of 9% on 2013 or 3% on a like-for-like basis. Net revenue in Irish retail grew at 14% or 9% on a like-for-like basis in the period ended 30 June 2015 with 7 shops acquired or opened in that period.

Paddy Power opened 3 new shops in 2012 and 10 shops in 2013, 7 of which were acquired. In 2014, Paddy Power opened 20 new shops, 17 of which were acquired. In the period ended 30 June 2015, Paddy Power opened 7 new shops, 6 of which were acquired. The average capital cost per unit opened in 2014 and in the period ended 30 June 2015 was €496,000.

Paddy Power recently disclosed in the Paddy Power 2015 November Interim Management Statement that 7 shops were opened in the UK and a further 7 shops were opened in Ireland in the period from 1 July 2015 to 15 November 2015 of which 4 were acquired.

4.3 Telephone

Paddy Power has been providing telephone betting services to its clients since 1996 via its Dial-a-Bet brand. In addition, in 2013, Paddy Power launched PP Messenger which allows customers to place bets by text or by telephone to one of its operators. In 2014, Paddy Power had 76,000 customers placing bets via Dial-a-Bet and PP Messenger, generating 2% of Paddy Power Group revenues.

4.4 Business-to-Business

In addition to these three principal segments, Paddy Power also has a successful business-to-business operation which was established in 2009 with the signing of its first partner, French state-controlled betting operator, Pari Mutuel Urbain (PMU). Paddy Power's other partners include the British Columbia Lottery Corporation (BCLC), Slovakian operator (Niké), and Spanish operator (Reta). Paddy Power's business-to-business service provides its partners the ability to offer online sports betting under their own brand and retain direct management of their client database, while using Paddy Power's fixed-odds risk management and pricing skills and expertise. The Paddy Power Group also offers sports related risk management services.

5. Business combinations

The Paddy Power Group does not have any principal investments other than its subsidiaries which are all 100% owned. Since 2012, the Paddy Power Group in the absence of available comparable sites for organic shop openings has acquired a number of licensed bookmaking businesses in the UK and Ireland. The below table details the cash outflows in respect of such acquisitions as well as deferred consideration payments relating to Online Australia and Online (ex Australia) acquisitions in 2011.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Cash consideration—acquisitions in the period	3.7	6.6	6.4	6.2	1.9
Cash consideration—acquisitions in previous periods- retail	0.5	0.1	0.3	0.0	1.1
Cash consideration—acquisitions in previous periods- online	0.3	3.0	5.0	—	—
Total cash consideration	4.6	9.7	11.8	6.2	3.0

The acquisitions made in the periods above relate to retail acquisitions in the UK and Ireland. These acquisitions are described in more detail in paragraph 4.2. As at 30 June 2015, contingent deferred consideration of €1.3 million was payable in relation to retail acquisitions and represents management's best estimate of the fair value of the amounts that will be payable. Financing in respect of deferred consideration payments was internal and from existing cash balances. No further acquisitions or investments are in progress which have been publically disclosed.

6. Strategy

The Paddy Power strategy is comprised of three key elements (product differentiation, brand leadership and position) each of which are underpinned by the principles of clear accountability and focused execution. The Paddy Power Group emphasises investment in online over retail, mobile over desktop and sports over gaming.

6.1 Product Differentiation

Paddy Power believes that product features are one of the key factors driving consumers' operator choice. Accordingly Paddy Power's strategy is focused on ensuring the Paddy Power Group's products provide the best possible intuitive customer experience by launching innovative and distinctive betting products.

The Paddy Power Group now takes a global approach to product delivery, with significant development teams in Dublin, Sofia and Melbourne, prioritising in-house developed, intuitive and innovative products. To increase the agility and pace of product development and releases, and to enhance its product distinctiveness Paddy Power continues to increase the proportion of development it controls and builds in-house. The Paddy Power Group is building certain mobile products internally, further investing in differentiated gaming software, and is uncoupling customer facing front-ends from third party suppliers. It will however, continue to cultivate key strategic partnerships where those partnerships help it operate at pace, or more efficiently by leveraging their scale, or for parts of the proposition which do not necessitate differentiation.

Paddy Power has invested heavily in recent years across both platform and product most notably the mobile and tablet applications, cash-out, improved range of sports markets and events on offer and

proprietary gaming content through its in-house development base in Bulgaria. In-house development is increasing from 67% of total product development spend in 2013 to an expected level of 73% in 2015.

Paddy Power intends to release new native iOS and HTML 5 web applications in Q4 2015 in order to provide the customer with a faster and more intuitive mobile experience. In Australia, Sportsbet plans to introduce “Punters Club” which makes setting up and running a betting club simple, secure and fun.

6.2 Distinctive brands and marketing capability

Paddy Power believes that it is defined by its brands which aim to engage and entertain in a way that is impossible to replicate. The Paddy Power Group’s marketing strategy focuses on deepening the distinctiveness of its brands, continuing to lead on social engagement and on optimising its brand investment. The Paddy Power Group’s marketing campaigns have three primary objectives. These are to deepen the distinctiveness of its brands and raise awareness with consumers; to highlight and differentiate the Paddy Power Group’s product offering to customers; and to ensure that they effectively communicate Paddy Power’s value messages to consumers with distinctive, simple and relevant offers.

6.3 Leadership positions in large, regulated markets

The Paddy Power Group aims to build leadership positions in large, regulated markets building scale positions, with potential to grow share and drive long-term profitability and therefore enable a virtuous cycle of on-going investment and growth.

Paddy Power believes that its market positions in the UK, Ireland and Australia offer it substantial opportunities for growth.

The Paddy Power Group entered the Italian online market in May 2012. In early 2015 it undertook a strategic review of the Italian business because, whilst the business had achieved meaningful Sportsbook market share, overall market growth had been slower than expected. The review concluded that the medium to long term market dynamics in Italy remain attractive, with mobile expected to be the key driver of growth and also highlighted some addressable issues in Paddy Power’s approach to the market that it could rectify. In the six month period ended 30 June 2015, the Paddy Power Group has made substantial operational improvements to its Italian business and accordingly is confident in the long term returns which can be generated from continued investment.

The Paddy Power Group also continues to look globally for opportunities to enter new business-to-customer markets. In markets which it deems unfeasible for business-to-customer entry, it seeks to offer business-to-business services.

7. People

Paddy Power is headquartered in Dublin, with offices in the UK, Australia, Italy and Bulgaria employing over 5,000 people. The total employee base grew by 13% in 2014.

	Year ended 31 December		
	2012	2013	2014
Ireland	2,166	2,328	2,570
UK	1,129	1,487	1,707
Australia	370	461	560
Italy and Rest of World	102	146	175
Total	3,767	4,422	5,012

8. Competition

The Paddy Power Group faces competition from land based operators in the retail and online segments as well as pure-play online operators in the online segment.

In UK Retail Paddy Power Group’s principal competitors are William Hill, Ladbrokes, Gala Coral and Betfred, all whom have considerably larger retail estates than Paddy Power. In Irish retail, competition is comprised of BoyleSports, Ladbrokes and a number of smaller, independent operators. In online, competition in the UK and Ireland is intense with established operators leveraging their considerable scale to invest in product, price and promotion combined with new entrants for whom the barriers to entry are

low. In addition to the land based operators referenced, the Paddy Power Group's principal competitors include Bet365, Skybet and Betfair.

The Paddy Power Group's main competitors in Australia are Tabcorp and William Hill along with Crownbet, Ladbrokes, Bet365 and Tatts. In Italy, Paddy Power's principal competitors are Bet365, Eurobet, Sisal, Snai, Lottomatica, Bwin and William Hill.

9. Current Trading²

On 17 November 2015, Paddy Power released its interim management statement on trading in the period from 1 July to 15 November 2015. Paddy Power noted. "Following on from a very strong first half performance, trading in the period has been in line with our expectations. While sports results in the period were unfavourable across the sector, for Paddy Power this has been offset by strong underlying growth. Accordingly, the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014. Top-line growth for the Group has been strong notwithstanding the comparative period benefitting from both very favourable sports results and the concluding stages of the football World Cup. In Online, sports betting stakes were up 23% and total net revenue was up 7%. In Retail, sports betting stakes grew by 12% and total net revenue by 7% (or 7% and 1% respectively excluding the impact of new shops)".

On 26 August 2015, as part of its results announcement for the period ended 30 June 2015, Paddy Power made the following profit forecast:

"We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast" (the **"August Profit Forecast"**).

As at the date of the August Profit Forecast, the mean consensus for operating profit for the financial year ending 31 December 2015 was very similar to the actual operating profit for the financial year ending 31 December 2014. As a result of the August Profit Forecast, the mean consensus forecast has increased, exceeding the previous consensus forecast for operating profit for the financial year ended 31 December 2015. As a result, the statement *"and the consensus market forecast"*, which was outside of the control or influence of the Paddy Power Directors, is no longer valid.

Accordingly, on 17 November 2015, as part of its interim management statement for the trading period ended 15 November 2015, Paddy Power made the following profit forecast:

"The Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014".

Save for the amendments to the August Profit Forecast set out above, for the purposes of Rule 28 of the Code, the Directors confirm that the profit forecast referred to in the Announcement, remains valid, was properly compiled on the basis of the assumptions set out in Part A of Appendix 5 of the Announcement and that the basis of accounting is consistent with the accounting policies of the Paddy Power Group. Each of KPMG and Morgan Stanley have indicated that they have no objection to their reports set out in Part B and Part C of Appendix V of the Announcement continuing to apply to the profit forecast.

Other than the profit forecast referred to above, no statement in this Prospectus should be interpreted to mean that earnings or earnings per share for Paddy Power for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Paddy Power.

Section B: Information on Betfair

The following information should be read in conjunction with the information appearing elsewhere in this Prospectus, including the financial and other information in Part IV (*Operating and Financial Review*) and Part V (*Historical Financial Information*). The financial information included in this Section B *"Information on Betfair"* has been extracted without material adjustment from Part IV (*Operating and Financial Review*) or the financial information included in Part V (*Historical Financial Information*).

1. The Betfair Group

Betfair is one of the world's largest international online sports betting providers. Betfair offers a differentiated and diverse portfolio of products to its customers, including Betfair's Betting Exchange, Betfair's Sportsbook and a range of gaming products.

² Percentage comparisons are against the equivalent period in 2014 in constant currency.

In 2000, Betfair pioneered the betting exchange concept allowing customers to bet against each other at odds set by themselves or by other customers. In 2004, Betfair launched a poker product, followed by casino games in 2006. In 2009, Betfair entered the United States through the acquisition of TVG, a leading online horseracing wagering operator. In 2013, Betfair launched a fixed odds Sportsbook to offer greater choice to the recreational betting market.

Betfair had more than 1.7 million active customers in the financial year ended 30 April 2015.

Betfair holds gambling licences in the UK, Ireland, Gibraltar, Malta, Spain, Italy, the United States, Bulgaria, Denmark, and Romania.

Betfair is headquartered in London, United Kingdom and employs over 2,000 people across 13 offices worldwide.

Betfair shares are traded on the London Stock Exchange's main market for listed securities and Betfair is a member of the FTSE 250 index.

2. Description of the business

Betfair's business is organised and managed in two business segments: Betfair (excluding US) and Betfair US. Betfair (excluding US) comprises sports, gaming and management of customer funds.

Sports consists of Betfair's Betting Exchange, Betfair's Sportsbook and Timeform. Gaming consists of various casino products, bespoke exchange games products, Tradefair Spreads and poker. Betfair US consists of the TVG Network and an online casino in New Jersey.

Sports, gaming and Betfair US meet the quantitative thresholds to be reportable segments. While the revenue from the management of customer funds does not meet these thresholds, this segment is separately disclosed as it is monitored separately by senior management.

3. Sources of revenue

Net revenue by segment (£m)	Six months ended 31 October		Year ended 30 April		
	2015	2014	2015	2014	2013
Sports	184.8	166.6	328.0	280.5	271.6
Gaming	49.7	42.0	88.5	66.2	75.9
Management of customer funds	0.6	0.6	1.2	1.2	1.5
Betfair US	39.3	28.4	58.8	45.7	38.0
Total	274.4	237.6	476.5	393.6	387.0

4. Strategy

Betfair's primary objective is to achieve profitable scale in sustainable markets. To this end, Betfair's strategy is to focus investment on regulated markets, to invest to differentiate its product and brand, and to pursue further international expansion as and when new markets with attractive characteristics become addressable.

4.1 Investment in Sustainable Markets

Betfair focuses its resources on regions with good regulatory visibility, which it currently considers to be the UK, the United States, Australia, Bulgaria, Denmark, Gibraltar, Ireland, Italy, Malta, Romania and Spain. Sustainable markets benefit from greater regulatory visibility which generally leads to greater revenue stability. These markets contributed 82% of Betfair Group revenue in the financial year ended 30 April 2015 (compared to 78% in FY14 and 72% in FY13).

Revenue from sustainable markets was up 27% to £388.5 million in the financial year ended 30 April 2015, primarily driven by the UK and the United States.

4.2 Investment in Products and Brand

Betfair's research shows that unique products and features improve customer acquisition and retention. Betfair uses its significant in-house development capabilities and resources, which include over 500 developers, to constantly improve its products and believes these capabilities give it a competitive

advantage as it: (i) increases the pace of product development; (ii) reduces development costs; (iii) retains knowledge and IP within the business; and (iv) facilitates innovation.

Betfair also believes that investment in its brand is a key driver of customer acquisition and retention. Over the last three years, its annual sales and marketing spend has increased by approximately £30 million.

This strategy has led to strong customer growth, with the number of active customers in sustainable markets up 70% to 1,456,000 in the financial year ended 30 April 2015.

4.3 International Expansion

New markets usually become addressable as a result of regulatory change. The commercial attractiveness of markets depends upon the potential size of the market, the competitive environment and the regulatory and fiscal environment.

Betfair has a strategic presence in several international regulated markets. In the United States, Betfair's TVG horseracing business has taken market share over the past few years and it acquired the HRTV horseracing television network, in February 2015 to further enhance its distribution capability. In Italy and Spain, Betfair has recently launched Betfair's Betting Exchange alongside Betfair's Sportsbook and gaming products.

Betfair continues to monitor regulatory change across a large number of countries to identify opportunities for further international expansion.

5. People

Betfair employs over 2,000 people in 13 offices. The average number of employees by business area in the last three financial years was as follows:

Area	Year ended 30 April		
	2015	2014	2013
Technology	748	687	911
Sales and marketing	388	333	363
Operations	588	535	446
General and administrative	177	184	346
Total	1,901	1,739	2,066

6. Competition

Betfair primarily faces competition from online operators. It considers its principal competitors in sports and gaming to be Bet365, William Hill, Ladbrokes, Gala Coral, Skybet, Betfred and Paddy Power. To a lesser extent, Betfair also faces competition from retail operators in the UK, most notably from those with large retail estates such as William Hill, Ladbrokes, Gala Coral and Betfred.

Betfair's main competitors in the United States are Twinspires, which is owned by Churchill Downs Incorporated, and Xpressbet.

Competition in its major markets is intense with both established operators and new entrants investing heavily in product, price and promotion.

7. Current Trading

On 25 November 2015, Betfair released its interim results for the six months ended 31 October 2015, in which it was noted:

Betfair traded strongly in its key markets throughout the first half of FY16, with revenue up 15% to £274.4 million despite the comparative period containing the World Cup. Betfair's two largest markets, the UK and the USA, accounted for most of this growth. Betfair's Sportsbook continued to take market share, with stakes up 93% year on year. In the US, TVG's acquisition of HRTV in February 2015 gave it greater distribution and access to premium content, which, together with the business' existing momentum, resulted in revenue growth of 38%.

Over the last twelve months Betfair added over 100 people to its product development teams and, adjusting for the World Cup, sales and marketing costs were up 13%. Notwithstanding this investment, and

the significant burden of higher gaming taxes, strong revenue growth and continued cost discipline resulted in 9% higher EBITDA.

Reported profit before tax, which in the prior year included a £6.4 million gain relating to the disposal of Betfair's joint venture in Australia, was down 1% to £66.3 million (H1 FY15: £67.3 million), and reported earnings per share was up 10% to 60.3 pence (H1 FY15: 55.0 pence).

Underlying earnings per share, which excludes the gain on disposal, increased by 23% to 60.3 pence (H1 FY15: 48.9 pence).

**PART III: BOARD OF DIRECTORS AND CORPORATE GOVERNANCE OF
PADDY POWER AND THE COMBINED GROUP**

1. Board of Directors

The following table lists the names, positions, dates of appointment and ages of the Paddy Power Directors as at the date of this Prospectus:

<u>Name</u>	<u>Age</u>	<u>Current Position</u>	<u>Date of appointment to Board</u>	<u>Date of expiry of current office</u>
Gary McGann	65	Chairman	24 November 2014	2016
Andy McCue	40	Chief Executive Officer	4 September 2014	2016
Cormac McCarthy	53	Chief Financial Officer	1 September 2011	2016
Tom Grace	67	Senior Independent Director	3 January 2006	2016
Michael Cawley	61	Non-Executive Director	17 July 2013	2016
Danuta Gray	57	Non-Executive Director	17 January 2013	2016
Ulric Jerome	37	Non-Executive Director	13 December 2012	2016
Stewart Kenny	64	Non-Executive Director	1 June 1988	2016
Pádraig Ó Ríordáin	49	Non-Executive Director	8 July 2008	2016

The business address of the Paddy Power Directors is Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04 V972, Ireland.

The following table lists the names, positions and ages of the Paddy Power Betfair Directors as at the date of this Prospectus:

<u>Name</u>	<u>Age</u>	<u>Position with the Combined Group</u>	<u>Current Position</u>
Gary McGann	65	Chairman	Paddy Power Chairman
Breon Corcoran	44	Chief Executive Officer	Betfair Chief Executive Officer
Andy McCue	40	Chief Operating Officer	Paddy Power Chief Executive Officer
Alex Gersh	51	Chief Financial Officer	Betfair Chief Financial Officer
Ian Dyson	53	Senior Independent Director	Betfair Senior Independent Director
Zillah Byng-Maddick	41	Non-Executive Director	Betfair Non-Executive Director
Michael Cawley	61	Non-Executive Director	Paddy Power Non-Executive Director
Danuta Gray	57	Non-Executive Director	Paddy Power Non-Executive Director
Peter Jackson	40	Non-Executive Director	Betfair Non-Executive Director
Stewart Kenny	64	Non-Executive Director	Paddy Power Non-Executive Director
Pádraig Ó Ríordáin	49	Non-Executive Director	Paddy Power Non-Executive Director
Peter Rigby	60	Non-Executive Director	Betfair Non-Executive Director

The business address of the Paddy Power Betfair Directors will be Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04 V972, Ireland following Completion.

2. Board Structure

The Board has overall responsibility for the leadership, control and oversight of the Paddy Power Group and, following Completion, the Combined Group. Responsibility for the day-to-day management of the Paddy Power Group has been delegated by the Board to executive management. This delegation is effected through the Chief Executive Officer, who is accountable to the Board. The functions of Chairman and Chief Executive Officer are not combined and both roles' responsibilities are clearly divided. A number of responsibilities of the Board are delegated to sub-committees of the Board, details of which are set out below.

The Board has overall responsibility for Paddy Power Group objectives; strategy; annual budgets; major acquisitions and capital projects; treasury policy and succession. It sets governance policies, ensures implementation thereof and monitors and reviews evolving governance best-practice. It defines the roles and responsibilities of the Chairman, Chief Executive Officer, other directors and the Board sub-committees. In addition, the Board approves the interim management statements, half-yearly and annual financial statements, reviews the Paddy Power Group's systems of internal control and approves any significant changes in accounting policies. The Board approves all resolutions and related documentation put before shareholders at general meetings. The Board also sets the Paddy Power Group's dividend policy, approves the interim dividend and recommends the final dividend. With effect from Completion,

the Board will have overall responsibility for the Combined Group's objectives, strategy, annual budgets, major acquisitions and capital projects, treasury policy and succession.

The following biographies provide information on the Paddy Power Directors:

Gary McGann

Gary McGann was appointed as a non-executive director of Paddy Power in November 2014 and as Chairman from July 2015. He also became a member of the Remuneration, and Bookmaking Risk Committees and Chairman of the Nomination Committee in July 2015. Gary was Group Chief Executive Officer of Smurfit Kappa Group plc from 2002 until his retirement in 2015. He joined the Smurfit Kappa Group in 1998 as Chief Financial Officer and has also served as President and Chief Operations Officer. Prior to this he held the position of Group Chief Executive Officer of Aer Lingus and Chief Executive Officer of Gilbeys of Ireland. Gary is Chairman of Aon Ireland and Sicon Limited and a non-executive director of Green Reit plc and Multi-Packaging Solutions International Limited. He holds BA (UCD) and MSc Management (Trinity) Degrees and is a Fellow of the Association of Chartered Certified Accountants (FCCA).

Andy McCue

Andy McCue became Chief Executive Officer of Paddy Power on 1 January 2015. Andy joined Paddy Power in 2006 as Head of Strategy, UK Retail. In 2009, Andy was appointed Managing Director, UK Retail and joined the Paddy Power management committee. In 2013, Andy was appointed Managing Director, Retail UK & Ireland, assuming responsibility for the combined retail estates and the telephone business. Prior to joining Paddy Power, he was a principal with OC&C Strategy Consultants and a Manager at Andersen. Andy holds a MA (Hons) Economics from Cambridge University and a Masters in Finance from London Business School. Andy is a non-executive director of Hostelworld Group plc.

Cormac McCarthy

Cormac McCarthy joined the Paddy Power Group as a non-executive director in September 2011 and was appointed Chief Financial Officer in October 2012. A Chartered Accountant, Cormac was Chief Executive of Ulster Bank from 2004 to 2011, where he also served as a member of the Royal Bank of Scotland ('RBS') Group Management Committee and as Deputy Chief Executive of RBS UK Retail. He was previously Chief Executive of the RBS Retail and Commercial Division in Europe and the Middle East and Chief Executive of the bank's European Consumer Finance Division. Prior to 2004, Cormac was Chief Executive of First Active plc.

Tom Grace

Tom Grace was appointed as a non-executive director and member of the Audit Committee in January 2006. He became Senior Independent Director in January 2009 and was appointed as a member of the Nomination Committee in July 2012. Tom was a partner with PricewaterhouseCoopers from 1983 to 2005, where he led the Insolvency Department from 1987 onwards. With 34 years' experience in total at PricewaterhouseCoopers, Tom also worked in the audit and management consultancy divisions, principally in the area of financial advice. Tom is a former rugby international and is currently honorary treasurer of the Irish Rugby Football Union and chairman of the British and Irish Lions. He won 25 international rugby caps for Ireland between 1972 and 1978 and captained the side on eight occasions. He also toured as a British and Irish Lion in 1974.

Michael Cawley

Michael Cawley was appointed as a non-executive director of Paddy Power and as a member of the Audit Committee in July 2013. He was appointed Chairman of the Audit Committee in July 2014. Michael served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair Holdings plc from 2003 to 2014, having previously served as Ryanair Holdings plc's Chief Financial Officer and Commercial Director since 1997. Prior to joining Ryanair Holdings plc, Michael was Group Finance Director of Gowan Group Limited, one of Ireland's largest private companies and the main distributor for Peugeot and Citroen automobiles in Ireland. Michael holds a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants in Ireland. Michael is a non-executive director of Ryanair Holdings plc, Kingspan Group plc, Hostelworld Group plc and Prepaypower Holdings Limited.

Danuta Gray

Danuta Gray was appointed as a non-executive director of Paddy Power and as a member of the Remuneration Committee in January 2013. Danuta was Chief Executive Officer of O2 Ireland from 2001 to 2010. Prior to that, she was Senior Vice President of BT Europe in Germany and, previous to that, was General Manager at BT Mobile in the UK. Danuta was previously a non-executive director of Aer Lingus plc. She is currently a non-executive director of Michael Page plc and Old Mutual plc and is the Senior Independent Director of Aldermore Bank. Danuta was appointed as a member of Paddy Power's Nomination Committee in February 2014.

Ulric Jerome

Ulric Jerome was appointed as a non-executive director and as a member of the Audit Committee in December 2012. He was appointed to the Nomination Committee in February 2015. Born in Paris, Ulric studied in France before completing his degree in economics in Montréal. He was a founding partner and executive director of Pixmania, the only pan-European online retailer of digital photographic and consumer electronic goods. He is a partner in and Chief Executive Officer of MatchesFashion.com, a global multi-channel online and retail business.

Stewart Kenny

Stewart Kenny was a co-founder of Paddy Power in 1988. He trained with Ladbrokes in London for two years before establishing a chain of betting shops, Kenny O'Reilly Bookmakers. He sold that business to Coral in 1986 and subsequently re-entered the business, opening ten betting shops between 1986 and 1988. He was Group Chief Executive of Paddy Power from 1988 to 2002, and Chairman from 2002 to 2003. Stewart has been a member of the Bookmaking Risk Committee since June 2006 and was appointed as a member of the Nomination Committee in July 2012.

Pádraig Ó Ríordáin

Pádraig Ó Ríordáin was appointed as a non-executive director in July 2008. Pádraig is a Corporate Partner in Arthur Cox, the leading Irish law firm, where he served as Managing Partner from 2003 to 2011. He studied law in the National University of Ireland and Harvard Law School and has practiced in New York and Dublin. Pádraig has been Chairman of Paddy Power's Remuneration Committee since August 2008 and a member of the Nomination and Bookmaking Risk Committees since August 2009 and December 2011, respectively. Pádraig is Chairman of DAA plc, the Dublin Airport Authority.

The following biographies provide information on the Proposed Directors:

Breon Corcoran

Breon Corcoran joined Betfair as Chief Executive Officer on 1 August 2012. Breon was the former Chief Operating Officer of Paddy Power and prior to this was Managing Director—Non Retail and Development. He joined Paddy Power in 2001 having previously worked with J.P. Morgan and Bankers Trust. Breon has an MBA (INSEAD) and is a graduate of Trinity College Dublin. Breon is a Non-Executive Director of Tilney Bestinvest Group.

Alex Gersh

Alex Gersh became Betfair's Chief Financial Officer in December 2012. Alex has extensive experience of working in highly competitive, international businesses. Previously, Alex was Chief Financial Officer of NDS Group, a leading supplier of technology solutions for digital pay-TV, Chief Financial Officer of Flag Telecom, a global network services provider and Chief Financial Officer of BT Cellnet. His early career was spent with Ernst & Young. He is a qualified Certified Public Accountant.

Ian Dyson

Ian Dyson has been a Non-Executive Director of Betfair since February 2010. Ian is also currently a Non-Executive Director of InterContinental Hotels Group PLC, Punch Taverns plc, ASOS plc and SSP Group plc. He was formerly Chief Executive Officer of Punch Taverns plc, Group Finance & Operations Director at Marks & Spencer plc and Finance Director of The Rank Group plc. Prior to this he was Group Financial Controller of Hilton Group plc. He joined Hilton from Le Meridien, a division of Forte plc, where he had been Finance Director. His early career was spent with Arthur Andersen, where he qualified

as a Chartered Accountant in 1986 and was promoted to a Partner of the firm in 1994. Ian was a Non-Executive Director of Misys plc until September 2005.

Zillah Byng-Maddick

Zillah Byng-Maddick became a Non-Executive Director of Betfair in September 2013, She is also currently Chief Executive Officer of Future plc, having previously served as Chief Financial Officer. Prior to this, Zillah was Chief Financial Officer of the Trader Media Group from 2009 (serving latterly as interim Chief Executive Officer until July 2013), CFO of Fitness First Group Limited from 2006 until 2009, and CFO of the Thresher Group from 2002 until 2005. Zillah has also previously held senior finance positions with GE Capital and HMV Media Group and qualified as an accountant with Nestle UK Limited and was a Non-Executive Director of Mecom Group plc from 2011 until February 2015.

Peter Jackson

Peter Jackson was appointed as a Non-Executive Director of Betfair in April 2013. Peter was Group Chief Executive Officer of Travelex from March 2010 until March 2015, leaving following the successful sale of the business. Before Travelex, Peter was Managing Director of Consumer Banking for the Lloyds Banking Group, having previously held a number of senior roles within the retail arm of HBOS plc before its merger with Lloyds. Peter started his career at McKinsey and Co.

Peter Rigby

Peter Rigby was appointed as a Non-Executive Director of Betfair in April 2014. Peter was Chief Executive Officer of Informa plc until the end of 2013. Peter first joined Informa plc in 1983 and served as CEO from 1988 until last year, during which time it grew to a business with revenues of £1.2 billion and a market capitalisation exceeding £3 billion. Peter previously held the role of Finance Director for Stonehart Publications and then IBC plc, which later became Informa plc. He holds a BA in Economics from Manchester University, and is a qualified accountant.

3. Re-election of Paddy Power Directors

In line with best practice principles set out in the UK Corporate Governance Code, the Paddy Power Group has adopted a policy of annual re-election for all Paddy Power Directors. Paddy Power Directors seeking re-election are subject to a performance appraisal, which is overseen by the Nomination Committee. This is an annual process for all directors under the policy of annual re-election. The Combined Group will continue to adopt this policy from Completion.

4. Committees of the Board

4.1 Audit Committee

The Audit Committee is primarily responsible for ensuring the integrity of the Paddy Power Group's financial reporting; internal control and risk management procedures; and reviewing the work of the internal and external auditors. The Audit Committee will be responsible for the Combined Group's financial reporting; internal control and risk management procedures from Completion.

The Audit Committee is comprised of three non-executive directors all of whom have been determined by the Board to be independent. The Audit Committee currently comprises the following independent non-executive directors: Michael Cawley (Chairman), Tom Grace and Ulric Jerome. Following Completion, it is intended that the Audit Committee will comprise Michael Cawley (Chairman), Zillah Byng-Maddick, Ian Dyson and Danuta Gray.

The Audit Committee carries out the duties below for Paddy Power, major subsidiary undertakings and the Paddy Power Group as a whole, as appropriate.

The Audit Committee monitors the integrity of the financial statements of Paddy Power, including its annual and interim reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Audit Committee also reviews summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Audit Committee reviews and challenges where necessary:

- the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Paddy Power Group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether Paddy Power has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- the clarity of disclosure in Paddy Power's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Audit Committee keeps under review the effectiveness of Paddy Power's internal controls and risk management systems, with the exception of bookmaking risk: which falls within the ambit of the Bookmaking Risk Committee. The Audit Committee also reviews and approves the statements to be included in Paddy Power's Annual Report and Accounts concerning internal controls and risk management, with the exception of bookmaking risk.

The Audit Committee reviews Paddy Power's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The Audit Committee:

- monitors and reviews the effectiveness of Paddy Power's internal audit function in the context of Paddy Power's overall risk management system;
- approves the appointment and removal of the head of the internal audit function;
- considers and approves the remit of the internal audit function and ensures it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- reviews and assesses the annual internal audit plan;
- reviews and monitors management's responsiveness to the findings and recommendations of the internal auditor and internal audit reports; and
- meets the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. The head of internal audit has the right of direct access to the members of the Audit Committee.

The Audit Committee considers and makes recommendations to the Board in relation to the appointment, re-appointment and removal of Paddy Power's external auditor. The Audit Committee oversees the relationship with the external auditor and meets regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.

The Audit Committee reviews and approves the annual audit plan and ensures that it is consistent with the scope of the audit engagement. The Audit Committee also:

- reviews the findings of the audit with the external auditor;
- assesses the effectiveness of the audit process;
- reviews any representation letter(s) requested by the external auditor before they are signed by management;
- reviews the management letter and management's response to the auditor's findings and recommendations; and

- develops and implements a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

The Audit Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Audit Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Audit Committee is authorised to seek any information it requires from any employee of Paddy Power in order to perform its duties. The Audit Committee is authorised to obtain, at Paddy Power's expense, outside legal or other professional advice on any matter within its terms of reference and to call any employee to be questioned at a meeting of the Audit Committee as and when required.

4.2 Nomination Committee

The Nomination Committee is primarily responsible for recommending candidates to the Board for appointment as directors and ensuring that appropriate procedures are followed for all such appointments. On behalf of the Board, the Nomination Committee also continually reviews the composition and diversity of the Board and the skills and experience of each of the Paddy Power Directors, to ensure that the Paddy Power Group has a Board which is fit for purpose and capable of protecting and creating value for shareholders.

The Nomination Committee comprises the Chairman, four independent non-executive directors and one non-independent, non-executive director. In line with best practice, at least half of the Nomination Committee is comprised of independent non-executive directors. The Nomination Committee currently comprises the following directors: Gary McGann (Chairman), Pádraig Ó Ríordáin, Tom Grace, Ulric Jerome, Stewart Kenny and Danuta Gray. Following Completion, it is intended that the Nomination Committee will comprise Ian Dyson (Chairman), Zillah Byng-Maddick, Stewart Kenny and Gary McGann.

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes. The Nomination Committee gives full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing Paddy Power, and what skills and expertise are therefore needed in the future.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. Before making an appointment, the Nomination Committee will evaluate the balance of skills, knowledge and experience on the Board and agree the preferred profile for a particular appointment. The Nomination Committee keeps under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Nomination Committee keeps up to date and fully informed about strategic issues and commercial challenges affecting Paddy Power and the market(s) in which it operates; and ensures that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

The Nomination Committee also makes recommendations to the Board concerning:

- plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive Officer;
- suitable candidates for the role of Senior Independent Director;
- membership of the Audit, Remuneration and other Board committees, in consultation with the Chairmen of those committees;
- the re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the retirement age for directors and its application;
- the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Articles and annual re-election under the UK Corporate Governance Code having due regard to their

performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and

- any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of Paddy Power's to the provisions of the law.

The Nomination Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Nomination Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Nomination Committee is authorised to seek any information it requires from any employee of Paddy Power in order to perform its duties and is authorised to obtain, at Paddy Power's expense, outside legal or other professional advice on any matters within its terms of reference.

4.3 Remuneration Committee

The Remuneration Committee is primarily responsible for making recommendations to the Board on remuneration policy for the Paddy Power Group's executive directors and other senior executives. The Remuneration Committee is comprised of two independent non-executive directors and the Chairman. In line with best practice, the Remuneration Committee is not chaired by the Chairman. The Remuneration Committee currently comprises the following directors: Pádraig Ó Ríordáin (Chairman), Gary McGann and Danuta Gray. The Remuneration Committee will be responsible for making recommendations to the Board on remuneration policy for the Combined Group's executive directors and other senior executives from Completion. Following Completion, it is intended that the Remuneration Committee will comprise Pádraig Ó Ríordáin (Chairman), Danuta Gray, Peter Jackson, Gary McGann and Peter Rigby.

The Remuneration Committee determines and agrees with the Board the framework or broad policy for the remuneration of Paddy Power's Chief Executive Officer, the executive directors and such other members of the executive management team as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Board. The remuneration of the Chairman of the Board shall be determined by the Board, excluding the Chairman. In determining such policy, the Remuneration Committee will take into account all factors which it deems necessary. The objective of such policy is to ensure that members of the executive management of Paddy Power are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of Paddy Power.

The Remuneration Committee reviews the ongoing appropriateness and relevance of the remuneration policy and reviews the design of all share incentive plans. For any such plans, the Remuneration Committee determines each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and members of the executive management team and the performance targets to be used. The Remuneration Committee determines the policy for, and scope of, pension arrangements for each executive director and other senior executives.

Within the terms of the agreed policy, the Remuneration Committee determines the total individual remuneration package of each executive director and such other members of the executive management team as it is designated to consider including basic salary, any benefits in kind, any annual bonuses, participation in any share option or award schemes, pension rights and any compensation payments and to regularly review and monitor the potential value of new package. In determining such packages and arrangements, the Remuneration Committee shall give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the Irish Listing Rules and associated guidance.

The Remuneration Committee ensures that all provisions regarding disclosure of remuneration including pensions is clear and transparent and is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee.

The Remuneration Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Remuneration Committee is authorised by the Board to seek any information it requires from any employee of Paddy Power in order to perform its duties. In connection with its duties the Remuneration Committee is authorised by the Board to obtain, at Paddy Power's expense any outside legal or other professional advice within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

4.4 Bookmaking Risk Committee

The Bookmaking Risk Committee (which following implementation of the Merger will be called the Risk Committee) is responsible for ensuring that policies in respect of betting risk are appropriate, monitoring that such policies are being correctly applied, reviewing reports from the Head of Bookmaking Risk and monitoring the adequacy and effectiveness of the Paddy Power Group's Bookmaking Risk function. The Bookmaking Risk Committee also sets overall policy for betting risk. Limits are agreed with the Bookmaking Risk Committee and set annually but are subject to review by the Bookmaking Risk Committee at any time.

The Bookmaking Risk Committee currently comprises the following persons: David Power (Chairman), Stewart Kenny, Andy McCue, Pádraig Ó Ríordáin and Gary McGann. Following Completion, it is intended that the Bookmaking Risk Committee will become the Risk Committee which will assume responsibilities appropriate to the Combined Group and will comprise Peter Rigby (Chairman), Michael Cawley, Peter Jackson, Stewart Kenny, Gary McGann and Pádraig Ó Ríordáin. The terms of reference for the Risk Committee have yet to be finalised and are subject to approval by the Paddy Power Betfair Board following implementation of the Merger. It is the intention that the Risk Committee will have responsibility over a number of areas of corporate and business risk, including bookmaking risk.

4.5 Additional Committees

If the need should arise, the Paddy Power Betfair Board may establish such additional committees as are deemed appropriate.

5. Roles and responsibilities of the Chairman of the Board

The Chairman is responsible for the leadership of the Board, ensuring its continued effectiveness in carrying out its duties and setting its agenda. The Chairman is also responsible for ensuring that all directors receive accurate, timely and clear information. He facilitates the effective contribution of his non-executive colleagues, encourages openness, debate and challenge at Board meetings, and ensures constructive relationships exist between executive and non-executive directors.

The Chairman is the guarantor of effective communications with shareholders and ensures that the Board is kept aware of the views of Paddy Power Shareholders. The Chairman also meets with the non-executive directors independently of the executive directors. The Chairman meets regularly with the Chief Executive Officer to discuss all aspects of the business's performance and, on an occasional basis, meets with other senior members of the management team.

6. Roles and responsibilities of the Senior Independent Director

The Senior Independent Director is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

7. Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Company Secretary ensures that the Board members receive appropriate induction and on-going training and development to enable them to discharge their duties. The Company Secretary is also responsible for advising the Board on all corporate governance matters.

The Company Secretary is Edward Traynor. Edward was appointed as general counsel and Company Secretary of the Paddy Power Group in May 2015. A solicitor, Edward was previously a director and head of legal and regulatory of Vodafone Ireland. Prior to that Edward was in private practice with

Eugene F. Collins and McCann FitzGerald. As Edward joined the Paddy Power Group in 2015, no remuneration or other benefits were paid to him in respect of the last full financial year.

8. Persons Discharging Managerial Responsibilities

As Chairman of the Bookmaking Risk Committee, David Power is subject to the share dealing restrictions and disclosures of a PDMR. David does not attend any Paddy Power Board or other Paddy Power Board subcommittee meetings and does not receive Paddy Power Board materials apart from Bookmaking Risk Committee materials. David Power co-founded Paddy Power in 1988 and was a non-executive director up to May 2013. He is an on-course bookmaker and has long-standing experience in the betting industry. He merged a significant proportion of the betting shops controlled by him and trading as Richard Power Bookmakers with Paddy Power in 1988. He has been Chairman of the Bookmaking Risk Committee since September 2003. Given David Power's extensive experience, the Paddy Power Board invited him to remain as Chairman of the Bookmaking Risk Committee following his retirement as a director of the Paddy Power Board in 2013. David Power is paid the standard fee for chairing a committee of €12,000 per annum and this was the total amount of remuneration paid to him by Paddy Power in the last full financial year.

9. Corporate Governance

Paddy Power is, and Paddy Power Betfair will be governed according to its Articles and the applicable laws of Ireland and the applicable rules and regulations of the relevant regulatory bodies. The Board is a single-tier board and is responsible for the proper management of Paddy Power and, following Completion, Paddy Power Betfair. The Board is committed to maintaining high standards of corporate governance and to continually reviewing current practice in the context of evolving best-practice. The Paddy Power Group applies the 2014 UK Corporate Governance Code and the Irish Corporate Governance Annex which sets out principles of good governance and a code of best practice. The Combined Group will continue to apply the 2014 UK Corporate Governance Code and the Irish Corporate Governance Annex from Completion.

10. Confirmations

None of the Paddy Power Directors, the Proposed Directors, the Company Secretary or David Power (as PDMR) has, during the five years prior to the date of this Prospectus been:

- (a) convicted in relation to a fraudulent offence;
- (b) associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;
- (c) subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (d) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any company.

11. Conflicts of Interest

None of the Paddy Power Directors, the Proposed Directors, the Company Secretary or David Power (as PDMR) has any actual or potential conflicts of interest between their duties to Paddy Power or Betfair (as the case may be) and the private interests and/or other duties he/she may also have.

No Paddy Power Director or Proposed Director was selected to be a director of Paddy Power or Betfair pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Paddy Power Group or the Betfair Group.

Neither the Company Secretary nor David Power (as PDMR) was selected as a member of the administrative, management or supervisory bodies or member of senior management of Paddy Power or Betfair pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Paddy Power Group or the Betfair Group.

No other restrictions have been agreed to by any Paddy Power Director, Proposed Director, the Company Secretary or David Power (as PDMR) on the disposal within a certain period of time of his holding of Ordinary Shares (if any).

There are no family relationships between any of the Paddy Power Directors, or the Proposed Directors.

12. Directorships and Partnerships

Save as set out below, the Paddy Power Directors have not held any directorships of any company, other than those companies in the Paddy Power Group which are subsidiaries, or been a partner in a partnership at any time in the five years prior to the date of this Prospectus:

<u>Director</u>	<u>Current directorships/partnerships</u>	<u>Former directorships/partnerships</u>
Gary McGann	Sicon Limited Aon McDonagh Boland Group Limited IBEC Limited Kanical Limited Smurfit Kappa Group Public Limited Company Business in the Community Limited Barnado's Limited—Republic of Ireland Limited Multi Packaging Solutions International Limited Social Entrepreneurs Ireland Limited Green Reit Public Limited Company and the following subsidiaries: <i>Green Reit (Br) Limited</i> <i>Green Reit (Central Park) Limited</i> <i>Green Reit (Dawson Street) Limited</i> <i>Green Reit (George;s Quay and Court) Limited</i> <i>Green Reit (HR) Limited</i> <i>Green Reit (Molesworth Street) Limited</i> <i>Green Reit (Residual) Limited</i> <i>Green Reit (ROI) Limited</i> <i>Green Reit (Westend) Limited</i> <i>Green Reit Mount Street Limited</i> <i>Green Reit Arena Limited</i> <i>Green Reit Horizon Limited</i>	UDG Healthcare Public Limited Company Atrium Property Developments Limited (in Liquidation) Balcuik Limited (in Liquidation) Tysan Investments Limited National College of Ireland Foundation Limited The following subsidiaries of Smurfit Kappa Group Public Limited Company: <i>Carton de Colombia, S.A.</i> <i>Carton de Venezuela, S.A.</i> <i>Kappa Packaging International B.V.</i> <i>Kappa Packaging Nederland Holding B.V.</i> <i>Litographic Web Press Limited</i> <i>Smurfit Kappa Acquisitions</i> <i>Smurfit Kappa B.V.</i> <i>Smurfit Kappa Corporation Limited</i> <i>Smurfit Kappa Funding Limited</i> <i>Smurfit Kappa Holdings Limited</i> <i>Smurfit Kappa Investments Limited</i> <i>Smurfit Kappa Pension Trustees Limited</i> <i>Smurfit Kappa Nederland B.V.</i> <i>Smurfit Kappa Packaging Limited</i> <i>Smurfit Kappa Services Limited</i>
Andy McCue	Hostelworld Group plc	Bookmakers Afternoon Greyhound Services Limited
Cormac McCarthy	University College Dublin Foundation Limited	Triode Investments Group Ulster Bank Ireland Limited BWG Group RBSG International Holdings Limited Ulster Bank Limited
Tom Grace	British Lions Limited	Beattybrook Limited

<u>Director</u>	<u>Current directorships/partnerships</u>	<u>Former directorships/partnerships</u>
Michael Cawley	Kingspan Group plc Ryanair Limited Ryanair Holdings plc Ryanair UK Limited Prepaypower Holdings Limited GMS Professional Imaging Limited Mazine Limited Promocy Hostelworld Group plc	Airport Marketing Services Limited Darley Investments Limited Coinside Limited Fr Hangars Limited
Danuta Gray	Danuta Gray Limited Gigabit Fibre Limited Aldermore Bank plc Michael Page International plc Old Mutual plc	Permanent TSB Group Holdings plc Aer Lingus Limited Three Ireland Retail (Hutchison) Limited Aer Lingus Group plc Permanent TSB plc Cellular World Limited Centurion Collections Limited Telefónica Digital Limited O2 Communications Liffey Telecom Limited O2 Investments Ireland Wayra Ireland Limited Telfin Ireland Limited National Centre For Youth Mental Health Limited The Barretstown Gang Camp Fund Limited
Ulric Jerome	MatchesFashion Limited	None
Stewart Kenny	Crean Solutions Limited Birgit Enterprises Limited	Immigrant Council Of Ireland Limited Calzado Limited
Pádraig Ó Ríordáin	DAA plc Arthur Cox Consultancy Services Panthol Limited	Semplá Ireland Limited TVC Holdings plc AC Administration Services Limited AC Employee Benefit Trustees Limited Arthur Cox Listings Services Limited Arthur Cox Trust Services Limited

Save as set out below, the Proposed Directors have not held any directorships of any company, other than those companies in the Betfair Group which are subsidiaries, or been a partner in a partnership at any time in the five years prior to the date of this Prospectus:

<u>Director</u>	<u>Current directorships/partnerships</u>	<u>Former directorships/partnerships</u>
Breon Corcoran	Tilney (Holdings) Limited Bestinvest (Holdings) Limited Tilney Bestinvest Group Limited	Paddy Power plc
Alex Gersh	None	Digi-Media Vision Limited Electracade Ltd NDS Limited NDS Finance Limited News Datacom Limited N T Media Limited Openbet Limited Openbet Technologies Limited Black Earth Farming Limited

<u>Director</u>	<u>Current directorships/partnerships</u>	<u>Former directorships/partnerships</u>
Ian Dyson	Punch Taverns plc ASOS plc SSP Group plc InterContinental Hotels Group PLC	Spirit Pub Company plc
Zillah Byng-Maddick . .	Professional Publishers Association Limited Future plc One Rebel Limited Byng & McKenzie Consultants Limited Etihad Topco Limited	Trader Media Group Limited Trainline Limited Maxza Enterprises Limited Mecom Group plc
Peter Jackson	Carbuyers Limited BMB Battersea LLP Redux Laboratories LLP	Travelex Limited Travelex Financing plc Travelex Holdings Limited Banco Confidence de Cambio S.A. Confidence Corretora de Cambio S.A. Confidence Empreendimentos S.A. Confidence Holding Financeira S.A. Confidence Participações S.A. Confidence Turismo S.A.
Peter Rigby	Lock Topco Limited Capital Economics Research Limited The Rigby Partnership Limited Waterloo Street BPRA Property Fund LLP	Informa plc Electric Word Learn Direct

Save as set out below, the Company Secretary and David Power (as PDMR) have not held any directorships of any company, other than those companies in the Paddy Power Group which are subsidiaries, or been a partner in a partnership at any time in the five years prior to the date of this Prospectus:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Former directorships/partnerships</u>
Edward Traynor	Multi Risk Dublin Limited Ozteach Limited	Stentor Limited Fónua Limited Cable & Wireless Gn Limited Vodafone Global Networks Limited Vodafone Enterprise Global Limited Vodafone Ireland Limited Perlico Communications Limited Vodafone Group Services Ireland Limited Eudokia Limited Vodafone Ireland Marketing Limited Siro Limited
David Power	The Irish Bookmaker Management Co Limited Poniard Limited Power Four Limited Richard Power (Bookmakers) Holdings Limited Power Three Limited Sholkal Limited Power Five Limited Zirkalia Limited Professional Bookmakers Association Limited	The Leopardstown Club Limited Paddy Power plc KI & Associates Consulting Limited

13. Interests in Paddy Power

Save as set out in paragraphs 13.1 and 13.2 below, no Paddy Power Director has any interest (beneficial or non-beneficial) in the share capital of Paddy Power or any member of the Paddy Power Group.

13.1 Interests in Paddy Power Shares and Paddy Power Befair Shares

None of the Paddy Power Directors beneficially holds more than 1% of the share capital of Paddy Power on an individual basis.

In addition to their interests in Ordinary Shares through their holding of share options, performance share plan awards and deferred share awards, the beneficial interests of the Paddy Power Directors, the Company Secretary and David Power (as PDMR), and of their spouses and minor children, in Ordinary Shares as at the Latest Practicable Date and immediately following Admission are set out below:

	Ordinary Shares in Paddy Power on Latest Practicable Date	Percentage of Ordinary Shares in Paddy Power on Latest Practicable Date	Ordinary Shares in Paddy Power Befair immediately following Admission	Percentage of Ordinary Shares in Paddy Power Befair immediately following Admission
Gary McGann	610	0.001%	610	0.001%
Andy McCue	21,938	0.050%	21,938	0.026%
Cormac McCarthy	16,443	0.037%	16,443	0.020%
Tom Grace	—	—	—	—
Michael Cawley	3,600	0.008%	3,600	0.004%
Danuta Gray	—	—	—	—
Ulric Jerome	—	—	—	—
Stewart Kenny	357,432	0.811%	357,432	0.428%
Pádraig Ó Ríordáin	7,200	0.016%	7,200	0.009%
Edward Traynor	—	—	—	—
David Power	3,472,822	7.883%	3,472,822	4.154%

In addition to their interests in Ordinary Shares through their holding of share options, performance share plan awards and deferred share awards, the beneficial interests of the Proposed Directors and of their spouses and minor children in Ordinary Shares as at the Latest Practicable Date and immediately following Admission are set out below:

	Ordinary Shares in Paddy Power on Latest Practicable Date	Percentage of Ordinary Shares in Paddy Power on Latest Practicable Date	Ordinary Shares in Paddy Power Befair immediately following Admission	Percentage of Ordinary Shares in Paddy Power Befair immediately following Admission
Breon Corcoran	37,710	0.086%	183,495	0.219%
Alex Gersh	—	—	—	—
Ian Dyson	—	—	3,164	0.004%
Zillah Byng-Maddick	—	—	930	0.001%
Peter Jackson	—	—	930	0.001%
Peter Rigby	—	—	—	—

As at the Latest Practicable Date, Paddy Power Directors beneficially held 407,223 Ordinary Shares, representing 0.924% of Paddy Power's issued share capital (excluding Treasury Shares).

Save as disclosed above and in paragraph 4 of Part IX (*Additional Information*), no other person involved in the Merger or Admission has an interest, including a conflicting interest, which is material to the Merger or Admission.

13.2 Interests in Paddy Power Share Options

As at the Latest Practicable Date, executive Paddy Power Directors held options under the schemes, further details of which are set out below, over a total of 1,454 Ordinary Shares, representing 0.003% of the total Ordinary Shares in issue as at that date.

The Paddy Power Directors' outstanding options are as follows:

Share Option Schemes

<u>Director</u>	<u>Number outstanding on Latest Practicable Date</u>	<u>Notes</u>
Andy McCue	778	(i)
Cormac McCarthy	676	(ii)
	<u>1,454</u>	

Notes:

- (i) Granted under the Share Save Scheme 2014.
- (ii) Granted under the Share Save Scheme 2013.

<u>Exercise price</u>	<u>Number outstanding on Latest Practicable Date</u>	<u>Exercise Period</u>	
		<u>Earliest⁽¹⁾ exercise date</u>	<u>Expiry date</u>
€39.60	778	4 December 2019	3 June 2020
€45.52	676	4 December 2018	3 June 2019
	<u>1,454</u>		

- (1) Granted under the Paddy Power Share Schemes.

13.3 Performance Share Plan

This is a long term share incentive plan under which share awards are granted in the form of a provisional allocation of Ordinary Shares for which no exercise price is payable. Details of awards under the performance share plan to executive Paddy Power Directors are set out below:

	<u>Number awarded</u>	<u>Award Date</u>	<u>Release Date⁽¹⁾</u>
Andy McCue	6,136	5 March 2012	5 March 2016
	18,396	14 May 2013	14 May 2016
	18,835	4 March 2014	4 March 2017
	30,257	3 March 2015	3 March 2018
	<u>73,624</u>		
Cormac McCarthy	18,396	14 May 2013	14 May 2016
	18,835	4 March 2014	4 March 2017
	13,753	3 March 2015	3 March 2018
	<u>50,984</u>		

- (1) The shares are scheduled for release on the dates set out above to the extent that performance conditions are achieved.

14. Paddy Power Directors Remuneration Details

The remuneration of the Paddy Power Directors for the financial year ended 31 December 2014 is set out in the table below. None of the Proposed Directors received any remuneration or benefits in kind from Paddy Power during the financial year ended 31 December 2014.

	Fees €000	Salary €000	Pension Costs €000	Benefits €000	Annual Bonus €000	Total 2014 €000
Executive						
Patrick Kennedy ⁽¹⁾		778		264	521	1,563
Andy McCue ⁽²⁾	—	453	63	27	329	872
Cormac McCarthy ⁽³⁾	—	508	—	91	248	847
Non-executive						
Gary McGann ⁽⁴⁾	8	—	—	—	—	8
Tom Grace ⁽⁵⁾	94	—	—	—	—	94
Michael Cawley ⁽⁶⁾	87	—	—	—	—	87
Danuta Gray	74	—	—	—	—	74
Ulric Jerome	74	—	—	—	—	74
Stewart Kenny	74	—	—	—	—	74
Pádraig Ó Riordáin ⁽⁷⁾	94	—	—	—	—	94
Cost of shares vested from long term incentive plan ⁽⁸⁾ .	—	—	—	—	—	4,440

Notes:

- (1) Patrick Kennedy resigned as a director effective 31 December 2014. His salary was increased by 2% to €780,000 with effect from 1 March 2014.
- (2) Andy McCue was appointed Chief Executive Officer designate on 4 September 2014 and was appointed to the Paddy Power Board on the same date. He was appointed Chief Executive Officer on 1 January 2015. His salary was €550,000 with effect from 4 September 2014 and increased to €700,000 with effect from 1 January 2015. While the emoluments disclosed in the above table are in Euro, Andy McCue received payments in pounds sterling for the period 1 January to 3 September and payments in euro for the period from 4 September to 31 December (save for certain benefits which were provided throughout the year in Euro). A EUR/GBP exchange rate of 1:0.814 was used to calculate the salary for the relevant period. The emoluments disclosed in the table represent the payments received from 1 January to 3 September which were sourced internally and the payments from 4 September to 31 December which are disclosed in the 2014 financial statements. Internal calculations were used to compile the total figure for the full year.
- (3) Cormac McCarthy's salary was increased to €510,000 with effect from 1 March 2014.
- (4) Gary McGann was appointed to the Paddy Power Board on 24 November 2014 and as Chairman from July 2015.
- (5) Tom Grace is the Senior Independent Director and was Chairman of the Audit Committee until May 2014.
- (6) Michael Cawley was appointed to the Paddy Power Board on 17 July 2013 and was appointed Chairman of the Audit Committee in May 2014.
- (7) Pádraig Ó Riordáin is Chairman of the Remuneration Committee.
- (8) The amount provided in the table above for the cost of shares vested, includes the cost of shares vested to Andy McCue prior to his appointment as a director in September 2014, together with the cost of shares vested to other directors during 2014. Internal calculations were used to compile the total figure for the full year. The Paddy Power long term incentive plan was first introduced in 2004 and subsequently revised and re-approved by shareholders in 2013. The long term incentive plan is available for executive directors and senior managers who are individually nominated to participate in the plan by the Remuneration Committee.

Benefits provided to executive directors include provision of a company car or car allowance, life and medical insurance, and in the case of Patrick Kennedy and Cormac McCarthy, cash allowances in lieu of pension contributions of €210,677 and €68,849 respectively (included under "Benefits" in the table above).

15. Executive Paddy Power Directors' service agreements

Paddy Power has entered into the following service agreements with the existing executive Paddy Power Directors:

Andy McCue is currently employed as Chief Executive Officer pursuant to the terms of a service agreement with Paddy Power dated 3 September 2014. Under the terms of the agreement, Andy is paid a basic annual salary of €700,000 and is eligible to receive a discretionary annual bonus based on both individual and Paddy Power Group performance. In addition, he is entitled to contributions towards life assurance cover,

payment of private medical insurance subscriptions and a pension scheme contribution of 20% of his basic annual salary. Andy is also entitled to a monthly car allowance. Andy's appointment is terminable by either party on not less than 12 months' written notice. Andy is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by Irish law. Andy will be appointed as Chief Operating Officer of the Combined Group with effect from Completion.

Cormac McCarthy is currently employed as Chief Financial Officer pursuant to the terms of a service agreement with Paddy Power dated 23 May 2012. Under the terms of the agreement, Cormac is paid a basic annual salary of €520,000 and is eligible to receive a discretionary annual bonus based on both individual and Paddy Power Group performance. In addition, he is entitled to contributions towards life assurance cover, payment of private medical insurance subscriptions and a pension allowance cash payment, in lieu of pension, of 15% of his basic annual salary less Employer's PRSI. Cormac is also entitled to a monthly car allowance. Cormac's appointment is terminable by either party on not less than 6 months' written notice. The agreement is governed by Irish law.

16. Non-executive Paddy Power Directors' letters of appointment

Gary McGann currently serves as non-executive chairman for an annual fee of €245,000 pursuant to the terms of a letter of appointment dated 21 November 2014. Gary was appointed to an initial term of three years, with both Paddy Power and Gary retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Gary is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Tom Grace currently serves as a non-executive Paddy Power Director and the Senior Independent Director for an annual fee of €87,000 pursuant to the terms of a letter of appointment with Paddy Power dated 3 January 2006. Tom was appointed to an initial term of three years, with both Paddy Power and Tom retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Tom is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Michael Cawley currently serves as a non-executive Paddy Power Director for an annual fee of €95,000 pursuant to the terms of a letter of appointment with Paddy Power dated 17 July 2013. Michael was appointed to an initial term of three years, with both Paddy Power and Michael retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Michael is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Danuta Gray currently serves as a non-executive Paddy Power Director for an annual fee of €75,000 pursuant to the terms of a letter of appointment with Paddy Power dated 17 January 2013. Danuta was appointed to an initial term of three years, with both Paddy Power and Danuta retaining a right to terminate with immediate effect on written notice. Her appointment will terminate automatically if Danuta is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Ulric Jerome currently serves as a non-executive Paddy Power Director for an annual fee of €75,000 pursuant to the terms of a letter of appointment with Paddy Power dated 13 December 2012. Ulric was appointed to an initial term of three years, with both Paddy Power and Ulric retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Ulric is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Stewart Kenny currently serves as a non-executive Paddy Power Director for an annual fee of €75,000 pursuant to the terms of a letter of appointment with Paddy Power dated 11 June 2003. Stewart was appointed to an initial term of three years, with both Paddy Power and Stewart retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Stewart is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

Pádraig Ó Ríordáin currently serves as a non-executive Paddy Power Director for an annual fee of €95,000 pursuant to the terms of a letter of appointment with Paddy Power dated 8 July 2008. Pádraig was appointed to an initial term of three years, with both Paddy Power and Pádraig retaining a right to terminate with immediate effect on written notice. His appointment will terminate automatically if Pádraig is removed from office by a resolution of the Paddy Power Shareholders or is not re-elected to office.

17. Executive directors' service agreements for the Combined Group

Breon Corcoran has entered into a new service agreement with Betfair Limited in relation to his appointment as Chief Executive Officer of the Combined Group, and a separate letter of appointment with Paddy Power in relation to his appointment as director of Paddy Power Betfair. The new service agreement and letter of appointment will take effect on and from the Effective Date, conditional on Completion occurring.

Breon will receive a total salary comprising £635,000 per annum in respect of his employment and also a director fee of €90,000 per annum in respect of his appointment as a director of Paddy Power Betfair.

Breon will be entitled to have a contribution equal to 15% of his salary paid into the Combined Group's personal pension plan or paid directly to him as a cash allowance. He will be provided with life assurance, private medical insurance, income protection and critical illness cover. Breon will be entitled to receive tax equalisation benefits in order to ensure that he neither benefits from nor is disadvantaged by exposure to a different tax environment on his income due to required business travel as part of his role.

Breon's new service agreement will be terminable on 12 months' notice given by either party. The service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the base salary, contractual benefits and pension contributions that would have been payable during the notice period. Breon may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Paddy Power Betfair Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism in each service agreement to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000. In addition, all of the share option and incentive schemes which will be operated by the Combined Group will contain provisions relating to termination of employment and any share awards held by an executive director on termination will be governed by the rules of the relevant plan.

Breon will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-hiring restrictive covenants for a period of 12 months after the termination of his employment.

A directors' remuneration policy is proposed to be adopted by Paddy Power at the Paddy Power General Meeting, subject to approval by the Paddy Power Shareholders. Under the Paddy Power directors' remuneration policy, from Completion, Breon will be eligible to receive an annual bonus (with a maximum bonus opportunity of 180% of his annual salary and a target bonus opportunity of 120% of his annual salary). Any bonus will be discretionary and subject to the achievement of financial performance measures. Any such bonus will be paid two thirds in cash and one third on a deferred basis in the form of a share award under a proposed new Paddy Power Betfair Deferred Share Incentive Plan which will vest as to 50% of the underlying Paddy Power Betfair Shares after one year from the date of grant and as to 50% after two years. Cash bonus payments and awards under the Paddy Power Betfair Deferred Share Incentive Plan will be subject to clawback in certain circumstances for up to two years after the payment or vesting date as applicable.

Under the Paddy Power directors' remuneration policy, from Completion, Breon will be eligible to receive share awards of up to 300% of his salary under a proposed new Paddy Power Betfair Long Term Incentive Plan. Any such awards will be discretionary and will vest over a period of at least three years subject to the achievement of financial performance measures. Awards will be subject to clawback in certain circumstances for up to two years after the applicable vesting date. 50% of Paddy Power Betfair Shares acquired on the vesting of awards under the Paddy Power Betfair Long Term Incentive Plan will be required to be held by Breon until such time as he holds Paddy Power Betfair Shares with a value of at least 200% of his base salary in accordance with the Paddy Power Betfair shareholding guidelines.

Breon will also be eligible to participate in other employee share plans operated by the Combined Group on the same terms as other employees of the Combined Group.

Andy McCue has entered into a new service agreement with Paddy Power in relation to his appointment as Chief Operating Officer of the Combined Group and a separate letter of appointment with Paddy Power in relation to his appointment as director of Paddy Power Betfair. The new service agreement and letter of appointment will take effect on and from the Effective Date, conditional on Completion occurring.

Andy will receive a total salary comprising €640,000 per annum in respect of his employment and also a directors fee of €90,000 per annum in respect of his appointment as a director of Paddy Power Betfair.

Andy will be entitled to have a contribution equal to 20% of his salary paid into the Combined Group's personal pension plan or paid directly to him as a cash allowance. He will be provided with life assurance, private medical insurance, income protection and critical illness cover. Andy will be entitled to receive tax equalisation benefits in order to ensure that he neither benefits from nor is disadvantaged by exposure to a different tax environment on his income due to required business travel as part of his role.

Andy's new service agreement will be terminable on 12 months' notice given by either party. A summary of the termination provisions in Andy's service agreement are set out in the table below:

	<u>Timing of Termination</u>	<u>Outcome</u>
1	Resigns in less than 12 months	Andy McCue to give 12 months' notice
2	Resigns after 12 months by reason of reduced role or employment is terminated by Paddy Power Betfair for reasons other than gross misconduct	Andy McCue to receive cash sum in lieu of notice equal to 2.5 years remuneration (comprising of salary, employers pension contribution and annual bonus) and will be treated as a good leaver for the purposes of the Paddy Power Betfair Long Term Incentive Plan
3	Resigns after 12 months for reasons other than those set out at 2 above	Andy McCue to give 12 months' notice

In addition, all of the the share option and incentive schemes which will be operated by the Combined Group will contain provisions relating to termination of employment and any share awards held by an executive director on termination will be governed by the rules of the relevant plan.

Andy will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-hiring restrictive covenants for a period of 12 months after the termination of his employment.

A directors' remuneration policy is proposed to be adopted by Paddy Power at the Paddy Power EGM, subject to approval by the Paddy Power Shareholders. Under the Paddy Power directors' remuneration policy, from Completion, Andy will be eligible to receive an annual bonus (each with a maximum bonus opportunity of 180% of his annual salary and a target bonus opportunity of 120% of his annual salary). Any bonus will be discretionary and subject to the achievement of financial performance measures. Any such bonus will be paid two thirds in cash and one third on a deferred basis in the form of a share award under a proposed new Paddy Power Betfair Deferred Share Incentive Plan which will vest as to 50% of the underlying Paddy Power Betfair Shares after one year from the date of grant and as to 50% after two years. Cash bonus payments and awards under the Paddy Power Betfair Deferred Share Incentive Plan will be subject to clawback in certain circumstances for up to two years after the payment or vesting date as applicable.

Under the Paddy Power directors' remuneration policy, from Completion, Andy will be eligible to receive share awards of up to 250% of his salary under a proposed new Paddy Power Betfair Long Term Incentive Plan. Any such award will be discretionary and will vest over a period of at least three years subject to the achievement of financial performance measures. Awards will be subject to clawback in certain circumstances for up to two years after the applicable vesting date. 50% of Paddy Power Betfair Shares acquired on the vesting of awards under the Paddy Power Betfair Long Term Incentive Plan will be required to be held by Andy until such time as he holds Paddy Power Betfair Shares with a value of at least 200% of his base salary in accordance with the Paddy Power Betfair shareholding guidelines.

Andy will also be eligible to participate in other employee share plans operated by the Combined Group on the same terms as other employees of the Combined Group.

Alex Gersh has entered into a new service agreement with Betfair Limited in relation to his appointment as Chief Financial Officer, of the Combined Group, and a separate letter of appointment with Paddy Power in relation to his appointment as director of Paddy Power Betfair. The new service agreement and letter of appointment will take effect on and from the Effective Date, conditional on Completion occurring.

Alex will receive a total salary comprising £375,000 per annum in respect of his employment and also a directors fee of £65,000 per annum in respect of his appointment as a director of Paddy Power Betfair.

Alex will be entitled to have a contribution equal to 15% of his salary paid into the Combined Group's personal pension plan or paid directly to him as a cash allowance. He will be provided with life assurance, private medical insurance, income protection and critical illness cover. Alex will be entitled to receive tax equalisation benefits in order to ensure that he neither benefits from nor is disadvantaged by exposure to a different tax environment on his income due to required business travel as part of his role.

Alex's new service agreement will be terminable on 12 months' notice given by either party. The service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the base salary, contractual benefits and pension contributions that would have been payable during the notice period. Alex may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Paddy Power Betfair Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism in each service agreement to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000. In addition, all of the share option and incentive schemes which will be operated by the Combined Group will contain provisions relating to termination of employment and any share awards held by an executive director on termination will be governed by the rules of the relevant plan.

Alex will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-hiring restrictive covenants for a period of 12 months after the termination of his employment.

A directors' remuneration policy is proposed to be adopted by Paddy Power at the Paddy Power General Meeting, subject to approval by the Paddy Power Shareholders. Under the Paddy Power directors' remuneration policy, from Completion, Alex will be eligible to receive an annual bonus (with a maximum bonus opportunity of 180% of his annual salary and a target bonus opportunity of 120% of his annual salary). Any bonus will be discretionary and subject to the achievement of financial performance measures. Any such bonus will be paid two thirds in cash and one third on a deferred basis in the form of a share award under a proposed new Paddy Power Betfair Deferred Share Incentive Plan which will vest as to 50% of the underlying Paddy Power Betfair Shares after one year from the date of grant and as to 50% after two years. Cash bonus payments and awards under the Paddy Power Betfair Deferred Share Incentive Plan will be subject to clawback in certain circumstances for up to two years after the payment or vesting date as applicable.

Under the Paddy Power directors' remuneration policy, from Completion, Alex will be eligible to receive share awards of up to 250% of his salary under a proposed new Paddy Power Betfair Long Term Incentive Plan. Any such awards will be discretionary and will vest over a period of at least three years subject to the achievement of financial performance measures. Awards will be subject to clawback in certain circumstances for up to two years after the applicable vesting date. 50% of Paddy Power Betfair Shares acquired on the vesting of awards under the Paddy Power Betfair Long Term Incentive Plan will be required to be held by Alex until such time as he holds Paddy Power Betfair Shares with a value of at least 200% of his base salary in accordance with the Paddy Power Betfair shareholding guidelines.

Alex will also be eligible to participate in other employee share plans operated by the Combined Group on the same terms as other employees of the Combined Group.

18. Non-executive directors' letters of appointment for the Combined Group

Gary McGann is the proposed Chairman of the Combined Group and will receive an annual salary of €450,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Gary is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Ian Dyson is a proposed non-executive director of the Combined Group and Chairman of the Nominations Committee and will receive an annual fee of £80,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Ian is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Zillah Byng-Maddick is a proposed non-executive director of the Combined Group and will receive an annual fee of £65,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on

and from the Effective Date, conditional on Completion occurring. Her appointment will terminate automatically if Zillah is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Michael Cawley is a proposed non-executive director of the Combined Group and Chairman of the Audit Committee and will receive an annual fee of €115,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Michael is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Danuta Gray is a proposed non-executive director of the Combined Group and will receive an annual fee of £65,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. Her appointment will terminate automatically if Danuta is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Peter Jackson is a proposed non-executive director of the Combined Group and will receive an annual fee of £65,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Peter is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Stewart Kenny is a proposed non-executive director of the Combined Group and will receive an annual fee of €90,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Stewart is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Pádraig Ó Ríordáin is a proposed non-executive director of the Combined Group and Chairman of the Remuneration Committee and will receive an annual fee of €110,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Pádraig is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

Peter Rigby is a proposed non-executive director of the Combined Group and Chairman of the Risk Committee and will receive an annual fee of £80,000 pursuant to the terms of a letter of appointment with Paddy Power which will take effect on and from the Effective Date, conditional on Completion occurring. His appointment will terminate automatically if Peter is removed from office by a resolution of the shareholders of Paddy Power Betfair or is not re-elected to office.

PART IV: OPERATING AND FINANCIAL REVIEW

Section A: Operating and Financial Review relating to Paddy Power

The financial information relating to Paddy Power below is extracted without material amendment from the Annual Report and Accounts of Paddy Power for the financial years ending 31 December 2014, 2013 and 2012 and from the unaudited consolidated financial information of Paddy Power for the six months ended 30 June 2015 and 2014. Each of Paddy Power's Annual Report and Accounts for the financial years ending 31 December 2014, 2013 and 2012 (including with the auditors' reports in Paddy Power's audited historical financial information) is incorporated by reference in this Prospectus as described in the Section "*Documents Incorporated by Reference*".

The review reports for the six months ended 30 June 2015 and six months ended 30 June 2014 and the audit reports for each of the years ended 31 December 2014, 2013 and 2012 were unqualified.

The financial statements for the six months ended 30 June 2015 and 30 June 2014 and the financial years ended 31 December 2014, 2013 and 2012 were prepared in accordance with IFRS.

The information below should be read in conjunction with the audited historical financial information and the auditors' reports contained in Paddy Power's Annual Report and Accounts alongside the detailed information included in this Prospectus in Part II (*Overview of Business of the Combined Group*) and Part V (*Historical Financial Information*) and the other information incorporated by reference into this Prospectus and you should not rely solely on key and summarised information.

Some of the information in the review below and elsewhere in this Prospectus and in the information incorporated by reference into this Prospectus includes forward-looking statements that involve risks and uncertainties. Paddy Power's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, including in the Sections "*Risk Factors*" and "*Forward Looking Statements*" and "*Important Information*".

1. Overview

Paddy Power is an international betting and gaming group. The Paddy Power Group focuses on the fast growing online betting market with 77% of the Paddy Power Group's operating profits in 2014 generated online. In the UK and Ireland, the Paddy Power Group also operates retail shops which contributed 22% of operating profit in 2014. The Paddy Power Group currently operates in three main geographies: the UK, Australia and Ireland. In addition, the Paddy Power Group is at an early stage in Italy and has business-to-business partnerships in France, Canada, Slovakia, the Czech Republic and Spain.

The Paddy Power Group delivers betting and gaming products to customers via three channels, online, retail and telephone. The Paddy Power Group employs over 5,000 people across locations in Ireland, the UK, Australia, Italy and Bulgaria. The business is organised across the following structure: three customer facing segments (Online Europe, Online Australia and Retail), and two centres of competitive advantage (Product and Marketing) supported by enabling functions.

The Paddy Power Group has five reporting segments with the consolidated financial statements primary segment information reported on this basis. The reporting segments are as follows:

- Online (excluding Australia): comprises the online business-to-customer businesses, *paddypower.com* and *paddypower.it* which provide online sports betting and gaming in the UK, Irish and Italian markets and the Paddy Power Group's business-to-business activities.
- Online Australia: *sportsbet.com.au* online and telephone sports betting in the Australian market.
- UK Retail: retail operations offering sports betting and machine gaming in licenced betting offices in the UK.
- Irish Retail: retail operations offering sports betting in licensed betting offices in the Republic of Ireland.
- Telephone: sports betting via telephone primarily serving the UK and Irish markets.

2. Current Trading³

On 17 November 2015, Paddy Power released its interim management statement on trading in the period from 1 July to 15 November 2015. Paddy Power noted. “Following on from a very strong first half performance, trading in the period has been in line with our expectations. While sports results in the period were unfavourable across the sector, for Paddy Power this has been offset by strong underlying growth. Accordingly, the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014. Top-line growth for the Group has been strong notwithstanding the comparative period benefitting from both very favourable sports results and the concluding stages of the football World Cup. In Online, sports betting stakes were up 23% and total net revenue was up 7%. In Retail, sports betting stakes grew by 12% and total net revenue by 7% (or 7% and 1% respectively excluding the impact of new shops)”.

Online Australia grew strongly in the period with total stakes increasing by 43% and net revenue by 33%.

Revenues in online (excluding Australia) in the UK and Ireland decreased by 9% due to very favourable sports results and the FIFA World Cup in the comparative period in 2014. However, new customer acquisition increased 20%, Sportsbook stakes increased 11% and eGaming revenue grew 6% in the post FIFA World Cup period. Revenues in online (excluding Australia) in Italy grew 3% in the period.

Like-for-like growth in UK retail was 5% in Sportsbook sales while like-for-like Sportsbook net revenue decreased by 8% driven by adverse sports results. Machine gaming net revenue grew 6% on a like-for-like basis, benefitting from continued strong execution of carded play, and regular new game releases.

In Irish retail, like-for-like stakes grew 8% and net revenue by 4%.

3. Significant Factors Affecting Results of Operations

The results of the Paddy Power Group’s operations have been, and continue to be, affected by many factors, some of which are beyond the Paddy Power Group’s control. This section sets out certain key factors that the Paddy Power Board believes have affected the results of operations in the periods under review or could affect its results of operations in the future. For a discussion of certain factors that may adversely affect results of operations and financial condition, also see the Section “*Risk Factors*”.

3.1 Gross Win Percentages / Impact of Sports Results

Paddy Power’s sports betting businesses operate fixed odds bookmaking and are therefore subject to inherent industry profits volatility due to sporting results. Gross win percentage is a non-IFRS measure defined as Sportsbook gross win divided by Sportsbook amounts staked and represents the percentage of amounts wagered that is retained by the Paddy Power Group. The gross win percentage fluctuates in accordance with the outcome of sporting events on which the Paddy Power Group takes bets. Over the short term, the uncertainty in the outcome of sporting events can therefore result in significant volatility, both positive and negative, in the Paddy Power Group’s gross win and gross win percentage, and therefore in revenues, depending on whether sporting results favour the bookmaker or the customer. There can be a high level of variation in gross win margin event by event and day by day, which can have a significant impact on the Paddy Power Group’s results of operations. However, historically, the gross win percentages will tend to revert to the average of the Paddy Power Group’s experience over the long-term (see table below). Despite short-term volatility, the Paddy Power Board believes that gross win percentage is useful in assessing the Paddy Power Group’s ability to generate revenues from Sportsbook amounts staked by customers and that it provides a basis for assessing the profitability of these activities.

Gross win percentages can also have an impact on the level of Sportsbook amounts staked given that the gross win percentage will influence the level of ‘recycled’ winnings (being the amount of customer winnings that are used to place further bets). Therefore where sports results favour customers in a given period and reduce the gross win percentage they may also increase the level of Sportsbook stakes and offset some of the negative impact of the adverse sports results for the Paddy Power Group. Where sports results favour the bookmaker the opposite is also true.

The Paddy Power Group actively manages its bookmaking risk as described in Section 8.1 below.

³ Percentage comparisons are against the equivalent period in 2014 in constant currency.

The following table sets out the gross win percentage for the Paddy Power Group for the 2012, 2013 and 2014 financial years and for the six months ended 30 June 2014 and 30 June 2015:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
Sportsbook gross win ⁴ %	9.4%	9.7%	9.9%	9.1%	9.7%

3.2 General Economic Trends

Paddy Power's results of operations, like those of other participants in the gambling industry, are directly impacted by customer demand for the Paddy Power Group's products and services. Customer demand is influenced in part by general economic trends. Betting and gaming is a discretionary leisure activity and therefore macroeconomic conditions which impact disposable income affect industry revenues and market growth rates. It is difficult for the Paddy Power Group to predict the impact that changes in economic conditions will have on the Paddy Power Group's results of operations over an extended period. The continued diversification of the Paddy Power Group's geographical sources of revenue, such as its expansion into Australia and Italy in recent years gives the Paddy Power Group greater resilience in periods of economic downturn or stagnation within a particular region.

3.3 Regulatory Environment, Taxation and Levies

Paddy Power is subject, and potentially subject, to various laws and regulations in a number of jurisdictions. The laws and regulations applicable to gambling activities vary considerably amongst these jurisdictions, and gambling operators and their products and services attract varying regulatory status and levels of oversight within these regimes. The Paddy Power Group incurs costs to take advice on and, where applicable, ensure compliance with these laws. Changes to the laws and regulations relevant to the gambling industry in individual jurisdictions worldwide have and could have a material impact on the Paddy Power Group's results of operations. The Paddy Power Group is subject to significant taxation and levies in each of the geographies in which it operates and changes in levels of taxation or levies or changes in tax or levy policy therefore have a material impact on the Paddy Power Group.

The following are the key changes in the regulatory environment impacting the results of operations periods:

(a) *UK Point of Consumption Tax ("POCT"):*

The UK licensing and taxation regime on remote gambling changed to a point of consumption basis from 1 December 2014. This resulted in Paddy Power paying POCT on online and telephone revenues from UK based customers at a rate of 15% of eGaming net revenue and 15% of Sportsbook gross win. The full year cost to Paddy Power, based on 2014 revenues, is €44 million;

(b) *UK Retail:*

- (i) Machine Games Duty ("**MGD**") was introduced with effect from 1 February 2013, replacing the previous regime of VAT and amusement machine licence duty. Under the previous regime, VAT was deducted within net revenue and the amusement machine licence duty was deducted as an operating expense, whilst MGD, introduced at a 20% of net revenue rate, is deducted as a cost of sale. The net full year financial impact of the change to MGD was negative, reducing operating profit by €2.2 million on 2012 activity levels;
- (ii) with effect from 1 March 2015, the MGD rate increased from 20% to 25% of net revenue. The full year financial cost to Paddy Power was €4 million based on 2014 machine net revenues; and
- (iii) new mechanisms were introduced from April 2015 affecting players wishing to stake over £50 in a single play on gaming machines. This has had an adverse impact on machine gaming revenues by reducing staking levels. Although the precise financial impact is not possible to quantify, Paddy Power estimated at August 2015 that year-on-year machine gaming revenue growth was adversely impacted by a mid-single digit percentage following the introduction of the new mechanisms;

⁴ Sportsbook gross win % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation of open positions at period end as a percentage of Sportsbook amounts staked.

(c) *Irish Regulation:*

- (i) new regulations were introduced with effect from January 2015 allowing retail shops in Ireland to open after 6.30pm throughout the year. It is not possible to quantify the financial impact of this change although it does have a positive impact on stakes and revenue levels whilst also incurring additional operating costs;
- (ii) with effect from 1 August 2015 the Irish retail betting tax was extended to Irish online and telephone customers. The tax is paid at 1% of Sportsbook stakes and the full year cost to Paddy Power, based on 2014 staking levels, is €8 million; and
- (iii) following EU VAT changes becoming effective in 2015, additional Irish VAT is now incurred on eGaming activity with Irish customers. The full year cost to Paddy Power, based on 2014 activity levels, is approximately €2 million.

(d) *Australian Product and Racefield Fee Increases:*

Paddy Power's Australian business, Sportsbet, pays product and racefield fees to racing bodies and sporting bodies within Australia. These fees are payable on a state by state and sport by sport basis with rates payable as a percentage of stakes and/or revenues generated from customers on the various racing and sports codes. Typically rates are set annually by the relevant bodies and often have various tiering of rates payable depending on for example the quality of the race, the season events takes place and the staking levels on individual events. Over the results of operations periods, the level of product fees payable as a percentage of revenue has increased with the net financial impact disclosed in the section below.

The financial impact of the above regulatory changes were as follows:

- (a) 2013 versus 2012: €3.8 million of new taxes payable comprising €1.8 million from the introduction of the new UK MGD tax regime and €2 million from increased Australian product fees;
- (b) 2014 versus 2013: €8 million of new taxes payable comprising €3 million from UK POCT, €4.8 million from increased Australian product fees and €0.1 million from UK MGD tax regime;
- (c) Six months ended 30 June 2015 versus six months ended 30 June 2014: €32 million of additional taxes payable comprising €25 million from UK POCT, €3.5 million from increased Australian product fees, €2.0 million from the increased MGD rate and €1.9 million from the introduction of VAT on eGaming with Irish customers.

Increased regulation, and taxation, of the global gambling industry continues to present both opportunities and challenges for Paddy Power. Existing taxes and levies may be increased or new taxes or levies introduced which would have an adverse impact on Paddy Power's results of operations. For example, in July 2015 the new UK Government reiterated the previous government's commitment to replace the existing horseracing betting levy with a statutory 'racing right' with a further update from Government expected later in 2015. Changes would likely result in the existing horseracing levy being extended to apply to revenue generated from UK racing through the online operations of bookmakers based both inside and outside of the UK, including the online operations of Paddy Power. If new measures are pursued, they are not expected to come into effect until 2017 at the earliest.

There is also potential for certain governments to move from their prohibition of some or all types of online betting to responsible regulation and taxation, so as to eliminate illicit unregulated supply. Such developments could enable Paddy Power to broaden its product offer in existing markets, for example in Australia, and possibly enter new geographies, and therefore could have a positive impact on Paddy Power's results of operations.

Corporation Tax

Paddy Power pays corporation tax in Ireland, the UK, Australia, Italy and Bulgaria and accordingly the results of operations are impacted by changes in applicable corporation tax rates in these jurisdictions. In the periods under review the only applicable corporation tax rate that changed was the UK corporation tax rate which has reduced on a scaled basis from 24% (for periods from 1 April 2012) to 20% (for periods from 1 April 2015). The UK government also has announced that it intends to reduce the rate further in the coming years with the UK corporate tax rate scheduled to reduce to 19% (for periods from 1 April 2017) and then to 18% (for periods from 1 April 2020). The reduction in the UK corporation tax rate will not have a material impact on Paddy Power's overall corporation tax payable.

3.4 New Business Investment

In May 2012 Paddy Power organically entered the online betting and gaming market in Italy by launching *paddypower.it*. As the business is in an early stage of growth in revenues it has incurred operating losses which have adversely impacted on the results of operations. The operating losses from *paddypower.it* are included in the online (excluding Australia) segment.

The following table shows the operating losses incurred in the periods under review.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Operating loss— <i>paddypower.it</i>	(14.7)	(16.8)	(14.7)	(8.9)	(4.7)

3.5 Seasonality and Sports Schedules

The Paddy Power Group’s results of operations are affected by seasonality and, in particular, the schedule of sporting events on which the Paddy Power Group accepts bets. The Paddy Power Group’s results of operations are affected by the schedules of significant sporting events that may occur at regular intervals, such as the UEFA European Football Championship and the FIFA World Cup. For example, the absence in 2015 of a major football tournament negatively impacts the results of operations of the Paddy Power Group for the period in comparison to 2014 when the FIFA World Cup was held. The Paddy Power Group’s results of operations may also be affected by the failure of certain teams to qualify for major sporting tournaments. The absence for any reason, including cancellation, of significant sporting events could cause fluctuations in revenue and gross win over the short term, which could have a material impact on the Paddy Power Group’s results of operations for a given period.

3.6 Capital Structure

During the six month period ended 30 June 2015, the Paddy Power Group reviewed its capital structure and decided to move from a net cash to a net debt position. As a result, the Paddy Power Group put in place a five year €300 million Revolving Credit Facility with a syndicate of banks and paid €391m to Paddy Power Shareholders in June 2015, by way of an €8.00 per share B share scheme. At 30 June 2015, the Paddy Power Group had net debt excluding customer balances of €147 million (0.7 times 2014 EBITDA).

3.7 Foreign Exchange

The Paddy Power Group currently reports its results in euro. A significant portion of its revenues are generated in currencies other than euro and the Paddy Power Group also incurs significant non-euro denominated costs, particularly Australian dollar and pounds sterling. Exchange rate fluctuations have had and will continue to have an impact on Paddy Power’s reported results as revenue earned and costs incurred in other currencies, are translated into euro in accordance with Paddy Power’s accounting policies. Details of how Paddy Power manages its exposure to foreign currency risk is contained below in Section 8.2.

Accordingly Paddy Power in addition to nominal growth rates reports constant currency (“CC”) growth rates in key income statement items to ensure users of its financial reports get a clear picture of underlying growth trends of the business excluding the impact of exchange rate fluctuations which have had and can have a positive or negative impact on reported nominal growth rates. The table below shows the level of pounds sterling and Australian dollar operating profits in each of the periods under review and also shows the growth rates in Paddy Power’s operating profits in both nominal and constant currency terms.

The results of operations section narrative below includes analysis of key movements in constant currency terms as these movements best reflect the underlying trends in the business.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
Group operating profits					
Sterling denominated operating profits (£m)	124	144	142	55	55
AUD denominated operating profits (AUD m)	49	64	94	39	60
Total Group operating profits (€m)	136.0	137.4	163.8	60.1	80.1
YoY % growth (reported)		+1%	+19%		+33%
YoY % growth (CC)		+4%	+22%		+19%

4. Key Components of the Paddy Power Group's Income Statement

The key components of certain line items of the Paddy Power Group's consolidated income statements are described below.

4.1 Net Revenue ("Income")

Net revenue ("Income") represents the net gain on betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at period end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games and business-to-business services. The costs of customer promotions and bonuses are deducted when arriving at net revenue.

The key performance indicators ("KPIs") / drivers of net revenue are:

- (a) Sportsbook amounts staked which comprises gross takings received and receivable from sports betting. In 2014, the Paddy Power Group changed the "amount staked" KPI, which also included gaming gross win, to the "Sportsbook amounts staked" KPI as this was deemed to be the more useful KPI for understanding business performance. The results of operations set out in paragraph 5 below includes "Sportsbook amounts staked" for all periods to ensure comparability;
- (b) Sportsbook gross win % comprising the net gain or loss from betting activities in the period plus the gain or loss on the revaluation of open positions at period end as a percentage of Sportsbook amounts staked;
- (c) Sportsbook net revenue % comprising the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. Sportsbook net revenue % is closely related to Sportsbook gross win % and will tend to move in line with movements in the Sportsbook gross win % but will also be impacted by movements in the level of customer promotions and bonuses;
- (d) Gaming / business-to-business net revenue represents net winnings from fixed odds games and the online casinos, being amounts staked net of customer winnings, and is stated net of the cost of customer promotions and bonuses incurred in the period. It also comprises commission income from peer to peer games tournament fees earned from games completed by the period end, and is stated net of the cost of customer promotions and bonuses incurred in the period. Income from business-to-business services represents fees charged for the services provided in the period;
- (e) Active customers being those customers who have deposited real money and have bet in the reporting period, excluding indirect business-to-business customers;
- (f) In line with our revenue accounting policy and IFRS, Paddy Power records all foreign exchange hedging gains / losses in net revenue. Sportsbook amounts staked, gross win, cost of sales and operating costs are all converted at spot rates.

4.2 Cost of sales ("Direct betting costs")

Cost of sales ("Direct betting costs") is made up of betting taxes, software supplier costs and other direct betting costs. The majority of the costs are variable and will increase or decrease in line with movements in

stakes and net revenues. Accordingly the results of operations includes analysis of movements in the cost of sales as a percentage of net revenue to show how the underlying cost of sales has changed in the periods.

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephones point of consumption tax which was introduced on 1 December 2014), machine gaming duty, and goods and services tax on online Australia segment net revenue.

Software supplier costs comprise direct costs incurred under supplier agreements for the provision of online casino, bingo, poker, fixed odds gaming services and retail betting machines.

Other direct betting costs comprise payments to third parties for new online customers acquired, product and racefield fees payable to Australian state racing authorities and sporting bodies, data rights which mainly comprise costs incurred in respect of British Horseracing Board and UK statutory levies, customer bad debt charges and other miscellaneous direct betting costs.

4.3 Operating expenses

Operating expenses primarily relate to staff costs, which include wages, salaries, bonuses, social security costs, pension costs and share based payments cost in connection with schemes operated by the Paddy Power Group. Operating expenses also include: property costs, including utilities costs, rent and rates; depreciation costs with regard to investment by the Paddy Power Group in its retail estate and technology and IT systems; content costs associated with providing television coverage, audio and other data; marketing expenses, including advertising and sponsorship costs; finance charges related to the cost of processing customer funds, which are principally comprised of cash handling and debit card fees in the retail segment, as well as credit and debit card fees and e-wallet costs in the online segment; communications costs; and other costs, which primarily consist of legal and consultancy costs, costs of the trading department, specifically costs relating to setting of prices for betting activity and other bookmaking costs, and travel costs.

4.4 Financial income / expense

Financial income is recognised on an accruals basis by reference to the principal outstanding and the effective rate of interest. Financial income includes changes in the fair value of financial assets at fair value through profit or loss.

Financial expense comprises interest expense on borrowings, amortisation of debt facility costs interest on guarantee contracts entered into with third parties, and the unwinding of the discount on provisions and other non-current liabilities.

4.5 Income tax

Income tax in the income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous period.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. Results of Operations

The following table sets out certain income statement items for the relevant periods.

Paddy Power Group	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Net revenue ('Income')	653.8	745.2	881.6	396.5	527.8
Cost of sales ('Direct betting costs')	(100.2)	(128.2)	(167.7)	(75.9)	(129.5)
Gross profit	553.6	617.0	713.9	320.6	398.3
Employee expenses	(202.2)	(228.7)	(257.3)	(113.8)	(141.0)
Property expenses	(44.3)	(48.4)	(58.4)	(27.4)	(34.7)
Marketing expenses	(67.9)	(76.1)	(100.9)	(53.8)	(64.3)
Technology and communications expenses	(35.0)	(42.5)	(48.6)	(25.5)	(29.0)
Depreciation and amortisation	(32.2)	(39.5)	(48.0)	(23.7)	(26.1)
Other expenses, net	(36.0)	(44.3)	(36.9)	(16.3)	(23.2)
Total operating expenses	(417.6)	(479.6)	(550.1)	(260.5)	(318.3)
Operating profit	136.0	137.4	163.8	60.1	80.1
Financial income	3.4	3.8	2.9	1.6	0.9
Financial expense	(0.2)	(0.2)	(0.2)	(0.1)	(0.5)
Profit before tax	139.2	141.0	166.6	61.6	80.5
Income tax expense	(18.2)	(17.8)	(21.7)	(8.0)	(12.1)
Profit for the period all attributable to equity holders of the Company	121.0	123.2	144.9	53.6	68.4
Earnings per share					
Basic	€ 2.511	€ 2.567	€ 3.011	€ 1.113	€ 1.456
Diluted	€ 2.481	€ 2.520	€ 2.976	€ 1.106	€ 1.448

Below sets out an analysis of the results by key income statement category including divisional analysis where relevant (note in narrative growth rates other than for financial income/expenses, income tax expense and earnings per share, are in constant currency, unless otherwise stated).

5.1 Net Revenue ("Income")

Net Revenue ("Income") by Division	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Online (ex Australia)	263.1	299.7	334.6	147.9	200.1
Online Australia	156.4	179.6	226.9	98.6	151.5
UK Retail	101.3	127.5	173.9	79.6	108.3
Irish Retail	110.4	115.6	126.6	62.4	71.3
Telephone	22.5	22.6	19.5	8.0	(3.3)
Paddy Power Group Net Revenue	653.8	745.2	881.6	396.5	527.8
<i>YoY % growth (CC)⁵</i>		<i>+17%</i>	<i>+18%</i>		<i>+25%</i>

2013 compared to 2012

Paddy Power Group net revenue increased by 17%⁵ in 2013 to €745.2 million with strong growth of 21% in the online divisions driven primarily by Sportsbook growth and by 12%⁵ in the retail divisions driven by growth in both the existing estates and from new shop openings.

⁵ Growth rate for UK retail machine net revenue expressed on a consistent basis of taxation (i.e. on a MGD regime basis as opposed to the reported VAT basis for revenues pre 1 February 2013)

2014 compared to 2013

Paddy Power Group net revenue increased by 18%⁵ in 2014 to €881.6 million with continued strong growth of 19% in the online divisions driven by Sportsbook stakes and by 20%⁵ growth in the retail divisions driven by growth in both the existing estates and from new shop openings, partially offset by a 15% decrease in the telephone division's revenues.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Paddy Power Group net revenue increased by 25% in the six months to 30 June 2015 to €527.8 million with continued strong growth of 34% in the online divisions, driven by a significantly improved gross win percentage combined with strong stakes growth, and by 18%⁵ in the retail divisions, driven by growth in both the existing estates and from new shop openings, partially offset by negative net revenue within the telephone division following a significantly adverse sequence of sports results.

Below sets out the net revenue by division including details of relevant key performance indicators and drivers of net revenues.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Online (ex Australia)					
Net Revenue & KPIs					
Sportsbook amounts staked	2,020	2,218	2,763	1,399	1,654
YoY % growth (CC)		+13%	+20%		+9%
Sportsbook net revenue	158.5	180.6	194.2	81.7	119.1
YoY % growth (CC)		+15%	+7%		+37%
Sportsbook gross win %	8.4%	8.6%	8.2%	7.0%	8.5%
Sportsbook net revenue % ⁶	7.8%	8.0%	7.0%	5.8%	7.2%
Gaming & other net revenue	104.3	119.1	140.5	66.2	80.9
YoY % growth (CC)		+16%	+17%		+14%
Total net revenue	263.1	299.7	334.6	147.9	200.1
YoY % growth (CC)		+15%	+11%		+26%
Active customers (000s)	1,307	1,524	1,840	1,446	1,373
YoY % growth		+17%	+21%		(5)%

Note: In Paddy Power's 2014 Annual Report some online activity was reclassified from gaming to Sportsbook to better reflect the nature of the bets. 2013 and 2012 Sportsbook and gaming and other net revenue amounts have been restated in the table above on a consistent basis to ensure comparability. Total net revenue is not impacted by the restatement.

2013 compared to 2012

Online (ex Australia) net revenue increased by 15% in 2013 to €299.7 million with 15% growth in Sportsbook net revenue to €180.6 million and 16% growth in gaming and business-to-business net revenues to €119.1 million. Sportsbook net revenue growth was driven by 13% growth in stakes to €2.2 billion (14% bet volume growth partially offset by a 1% decrease in the average stake per bet) and an increase in the Sportsbook net revenue percentage from 7.8% to 8.0%. Gaming and business-to-business net revenue growth was driven by growth in casino, games, bingo and business-to-business revenues, offsetting a reduction in poker revenues. Active customers increased by 17% to over 1.5 million, with 16% growth in Sportsbook actives and 12% growth in gaming actives.

⁶ Sportsbook net revenue % is a new KPI that Paddy Power reported on from 2014. Sportsbook net revenue % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. The figure for 2013 has been extracted from the 2014 financial statements while the 2012 figure (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

2014 compared to 2013

Online (ex Australia) net revenue increased by 11% in 2014 to €334.6 million, with 7% growth in Sportsbook net revenue to €194.2 million and 17% growth in gaming and business-to-business net revenues to €140.5 million. Sportsbook net revenue growth was driven by 20% growth in stakes to €2.8 billion (28% bet volume growth partially offset by a 6% decrease in the average stake per bet) offset by a significant decrease in the Sportsbook net revenue percentage from 8.0% to 7.0% following adverse sports results. Gaming and business-to-business net revenue growth was driven by growth in casino, games, bingo and business-to-business revenues, offsetting a reduction in poker revenues. Active customers increased by 21% to over 1.8 million, with 24% growth in Sportsbook actives and 6% growth in gaming actives.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Online (ex Australia) net revenue increased by 26% in the six months to 30 June 2015 to €200.1 million with 37% growth in Sportsbook net revenue to €119.1 million and 14% growth in gaming and business-to-business net revenues to €80.9 million. Sportsbook net revenue growth was driven by 9% growth in stakes to €1.7 billion (6% bet volume growth and a 3% increase in the average stake per bet) and a significant increase in the Sportsbook net revenue percentage from 5.8% to 7.2% due to very adverse sports results in the comparative period. Gaming and business-to-business net revenue growth was driven by growth in mobile games revenues. Active customers decreased by 5% to €1.37 million with a 6% decrease in Sportsbook actives (due to the impact of the FIFA World Cup in the comparative and the strategic decision to curtail low value customer acquisition) partially offset by 23% growth in gaming actives (driven by significantly stronger cross sell from Sportsbook and direct customer acquisition into games and casino, supported by differentiated product).

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Online Australia					
Net Revenue & KPIs					
Sportsbook amounts staked	1,710	1,914	2,056	838	1,223
YoY % growth (CC)		+24%	+14%		+39%
Net revenue	156.4	179.6	226.9	98.6	151.5
YoY % growth (CC)		+28%	+34%		+46%
Sportsbook gross win %	9.4%	9.8%	11.5%	11.1%	11.7%
Sportsbook net revenue % ⁷	9.1%	9.4%	11.0%	10.7%	11.4%
Online active customers (000s) ⁸	324	417	575	346	462
YoY % growth		+29%	+38%		+34%

2013 compared to 2012

Online Australia net revenue increased by 28% in 2013 to €179.6 million. This growth was comprised of 24% growth in stakes to €1.9 billion, driven by 30% growth in online active customers and an increase in the Sportsbook net revenue percentage from 9.1% to 9.4%.

2014 compared to 2013

Online Australia net revenue increased by 34% in 2014 to €226.9 million. This growth was comprised of 14% growth in stakes to €2.1 billion and a significant increase in the Sportsbook net revenue percentage from 9.4% to 11.0%. Online active customers grew by 38% driven by an increase of 33% in customer acquisition and strong customer retention.

⁷ Sportsbook net revenue % is a new KPI that Paddy Power reported on from 2014. Sportsbook net revenue % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. The figure for 2013 has been extracted from the 2014 financial statements while the 2012 figure (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

⁸ In 2012 and 2013, total active customers rather than total online active customers were reported in the respective annual reports. The figure for 2013 was extracted from the 2014 financial statements. The figure for 2012 (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Online Australia net revenue increased by 46% in the six months ended 30 June 2015 to €151.5 million. This growth was comprised of 39% growth in stakes to €1.2 billion and an increase in the Sportsbook net revenue percentage from 10.7% to 11.4%. Online active customers grew by 34% driven by 23% growth in customer acquisition coupled with strong customer retention.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
UK Retail					
Net Revenue & KPIs					
Sportsbook amounts staked	483	552	710	349	457
YoY % growth (CC) ⁹		+20%	+22%		+16%
Sportsbook net revenue	53.9	64.0	80.5	36.8	49.9
YoY % growth (CC)		+24%	+20%		+21%
Sportsbook gross win %	11.3%	11.7%	11.5%	10.7%	11.3%
Sportsbook net revenue % ¹⁰	11.2%	11.5%	11.4%	10.5%	10.9%
Machine gaming net revenue	47.5	63.5	93.5	42.9	58.4
YoY % growth (CC) ⁵		+17%	+39%		+22%
Total net revenue	101.3	127.5	173.9	79.6	108.3
YoY % growth (CC) ⁵		+20%	+30%		+21%
Number of shops	209	266	321	299	334
YoY % growth		+27%	+21%		+12%

2013 compared to 2012

UK Retail net revenue increased by 20%⁵ in 2013 to €127.5 million with 24% growth in Sportsbook net revenue to €64.0 million and 17%⁵ growth in machine gaming net revenues to €63.5 million. Excluding the impact of new shop openings, like-for-like net revenue increased by 2%⁵. This growth comprised a 3%⁵ decline in machine gaming net revenue (reflecting the impact of new terminal trials and the launch costs of a customer loyalty programme, as well as weaker consumer demand) offset by Sportsbook net revenue growth of 8%. Like-for-like Sportsbook stakes grew 4%, comprised of bet volumes growth of 6% and a 2% decrease in the average Sportsbook stake per bet. 57 new shops were opened during 2013, including 15 that were acquired.

2014 compared to 2013

UK retail net revenue increased by 30%⁵ in 2014 to €173.9 million with 20% growth in Sportsbook net revenue to €80.5 million and 39%⁵ growth in machine gaming net revenues to €93.5 million. Excluding the impact of new shop openings, like-for-like net revenue increased by 8%⁵. This growth comprised 4% Sportsbook net revenue growth and 13%⁵ growth in machine gaming net revenue. Like-for-like Sportsbook stakes were up 5%, comprised of bet volumes growth of 4% and a 2% increase in the average Sportsbook stake per bet. 55 new shops were opened during 2014, including eight that were acquired.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

UK retail net revenue increased by 21% in the six months ended 30 June 2015 to €108.3 million with 21% growth in Sportsbook net revenue to €49.9 million and 22% growth in machine gaming net revenues to €58.4 million. Excluding the impact of new shop openings, like-for-like net revenue increased by 9%. This growth comprised 9% Sportsbook net revenue growth and 8% growth in machine gaming net revenue. Machine revenue growth was adversely impacted by a mid-single digit percentage following introduction of new regulations for the ‘£50 staking journey’ in April. Like-for-like Sportsbook stakes were up 5%, driven

⁹ Total amounts staked (which comprises Sportsbook amounts staked and gaming gross win) was disclosed in the 2012 and 2013 annual reports. In 2014, Sportsbook amounts staked was disclosed as it represents a more meaningful KPI. The 2012 and 2013 amounts have been presented in a similar manner.

¹⁰ Sportsbook net revenue % is a new KPI that Paddy Power reported on from 2014. Sportsbook net revenue % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. The figure for 2013 has been extracted from the 2014 financial statements while the 2012 figure (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

by 8% growth in bet volumes, partially offset by a 2% decrease in the average Sportsbook stake per bet. 14 new shops were opened (of which two were acquired) and one shop closed during the period.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Irish Retail					
Net Revenue & KPIs					
Sportsbook amounts staked	927	981	1,093	548	596
YoY % growth (CC)		+6%	+11%		+9%
Net revenue	110.4	115.6	126.6	62.4	71.3
YoY % growth (CC)		+5%	+9%		+14%
Sportsbook gross win %	12.0%	11.8%	11.7%	11.5%	12.2%
Sportsbook net revenue % ¹¹	11.9%	11.8%	11.6%	11.4%	11.9%
Number of shops	213	223	243	239	250
YoY % growth		+5%	+9%		+5%

2013 compared to 2012

Irish retail net revenue increased by 5% in 2013 to €115.6 million with 6% growth in Sportsbook stakes to €981 million partially offset by a decrease in the Sportsbook net revenue percentage from 11.9% to 11.8%. Excluding the impact of new shop openings, like-for-like amounts staked were up by 3% and net revenue increased by 2%. Ten new shops were opened during 2013, including seven that were acquired.

2014 compared to 2013

Irish retail net revenue increased by 9% in 2014 to €126.6 million with 11% growth in Sportsbook stakes to €1.1 billion partially offset by a decrease in the Sportsbook net revenue percentage from 11.8% to 11.6%. Excluding the impact of new shop openings, like-for-like amounts staked were up by 5% (helped by more than doubling the average self-service betting terminals installed, the roll-out of contactless debit card terminals and additional morning opening hours, plus improved economic conditions) and net revenue increased by 3%. 20 new shops were opened during 2014, including 17 that were acquired.

¹¹ Sportsbook net revenue % is a new KPI that Paddy Power reported on from 2014. Sportsbook net revenue % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. The figure for 2013 has been extracted from the 2014 financial statements while the 2012 figure (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Irish retail net revenue increased by 14% in the six months ended 30 June 2015 to €71.3 million with 9% growth in Sportsbook stakes and an increase in the Sportsbook net revenue percentage from 11.4% to 11.9%. Excluding the impact of new shop openings, like-for-like amounts staked were up by 5% (helped by new regulations allowing shops to open every evening all year round) and net revenue increased by 10%. Seven new shops were opened during the period, including six that were acquired.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Telephone					
Net Revenue & KPIs					
Sportsbook amounts staked	415	348	380	201	277
YoY % growth (CC)		(13)%	+5%		+26%
Net revenue	22.5	22.6	19.5	8.0	(3.3)
YoY % growth (CC)		+3%	(15)%		n/a
Sportsbook gross win %	5.8%	7.0%	5.7%	4.6%	(0.7)%
Sportsbook net revenue % ¹²	5.4%	6.3%	5.2%	4.0%	(1.1)%
Active customers (000s)	83	71	76	59	51
YoY % growth		(14)%	+7%		(15)%

2013 compared to 2012

Telephone net revenue increased by 3% in 2013 to €22.6 million with a 13% decline in Sportsbook stakes to €348 million offset by an increase in the Sportsbook net revenue percentage from 5.4% to 6.3%. The decline in stakes was in part due to the higher net revenue percentage and also due to the absence of a major international football championship in 2013. Active customers decreased 14%, broadly in line with the stakes decrease.

2014 compared to 2013

Telephone net revenue decreased by 15% in 2014 to €19.5 million with 5% growth in Sportsbook stakes to €380 million offset by a decrease in the Sportsbook net revenue percentage from 6.3% to 5.2% due to adverse sports results. The stakes growth was driven by active customers increasing 7%, and increased bet volumes, up 10%, partially offset by a 4% decrease in the average stake per bet.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Telephone net revenue was a negative, €3.3 million in the six months ended 30 June 2015 with a negative net revenue percentage of 1.1% arising in the period, wholly due to a significantly adverse sequence of sports results which statistically had a less than 1% probability of occurrence. Active customers decreased by 15% due to the inclusion of the FIFA World Cup in the comparative period.

¹² Sportsbook net revenue % is a new KPI that Paddy Power reported on from 2014. Sportsbook net revenue % comprises the net gain or loss from betting activities in the period plus the gain or loss on the revaluation less the costs of customer promotions and bonuses as a percentage of Sportsbook amounts staked. The figure for 2013 has been extracted from the 2014 financial statements while the 2012 figure (which was not included in previous financial statements) was calculated in a similar manner to the 2013 and 2014 figures.

5.2 Cost of Sales (“Direct betting costs”)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Cost of Sales by Division					
Online (ex Australia)	37.0	41.2	54.0	26.3	53.9
As a % of net revenue	14.0%	13.7%	16.1%	17.8%	27.0%
Online Australia	37.0	44.5	55.6	23.1	37.3
As a % of net revenue	23.7%	24.8%	24.5%	23.4%	24.6%
UK Retail	16.0	31.4	44.5	20.2	31.4
As a % of net revenue	15.8%	24.6%	25.6%	25.4%	29.0%
Irish Retail	10.0	11.0	13.1	6.2	7.5
As a % of net revenue	9.0%	9.5%	10.3%	9.9%	10.5%
Telephone	0.3	0.2	0.7	0.1	(0.6)
As a % of net revenue	1.2%	0.9%	3.5%	0.8%	n/a
Paddy Power Group Cost of Sales	100.2	128.2	167.7	75.9	129.5
As a % of net revenue	15.3%	17.2%	19.0%	19.1%	24.5%

2013 compared to 2012

Paddy Power Group costs of sales as a percentage of net revenue increased from 15.3% to 17.2% in 2013. The main drivers of this increase were an increase in UK retail costs of sales following the introduction of the new UK MGD tax regime in 1 February 2013 and increased product and racefield fees in the online Australia division.

2014 compared to 2013

Paddy Power Group costs of sales as a percentage of net revenue increased from 17.2% to 19.0% in 2014. The main driver of this increase was the introduction of UK point of consumption tax from 1 December 2014 impacting the online (ex Australia) and telephone divisions. Increased product and racefield fees in online Australia were offset by strong net revenue growth with a significant increase in the net revenue percentage. UK retail was impacted by having one less month of MGD in the comparative year as the new regime was only introduced from 1 February 2013. Irish retail cost of sales as a percentage of net revenue increased due to a decrease in the net revenue percentage (betting tax is paid on stakes) and also due to growth in self-service betting terminal revenues on which third party supplier costs are incurred.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Paddy Power Group costs of sales as a percentage of net revenue increased from 19.1% to 24.5% in the six months ended 30 June 2015. The main driver of this increase was the introduction of UK point of consumption tax from 1 December 2014 impacting on the online (ex Australia) and the telephone division (which had a €0.6 million credit in the period due to negative net revenue from UK customers). Increased product and racefield fees in online Australia increased the cost of sales as a percentage of net revenue from 23.4% to 24.6%. UK retail cost of sales as a percentage of net revenue increased due to an increase from 1 April 2015 in the MGD rate from 20% to 25%. Irish retail cost of sales as a percentage of net revenue increased due to growth in self-service betting terminal revenues on which third party supplier costs are incurred.

5.3 Operating Expenses

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Paddy Power Group Operating Expenses					
Employee expenses	202.2	228.7	257.3	113.8	140.9
Property expenses	44.3	48.4	58.4	27.4	34.7
Marketing expenses	67.9	76.1	100.9	53.8	64.3
Technology and communications expenses	35.0	42.5	48.6	25.5	29.0
Depreciation and amortisation	32.2	39.5	48.0	23.7	26.1
Other expenses, net	36.0	44.3	36.9	16.3	23.2
Paddy Power Group Operating Expenses	417.6	479.6	550.1	260.5	318.3
<i>YoY % growth (CC)</i>		<i>+19%</i>	<i>+14%</i>		<i>+16%</i>
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Operating Expenses by Division					
Online (ex Australia)	153.4	185.1	205.4	99.6	114.5
<i>YoY % growth (CC)</i>		<i>+23%</i>	<i>+9%</i>		<i>+10%</i>
Online Australia	88.9	101.6	118.9	53.7	75.4
<i>YoY % growth (CC)</i>		<i>+26%</i>	<i>+24%</i>		<i>+34%</i>
UK Retail	70.0	82.2	108.3	49.9	64.9
<i>YoY % growth (CC)</i>		<i>+22%</i>	<i>+26%</i>		<i>+18%</i>
Irish Retail	86.1	90.7	98.0	47.6	53.2
<i>YoY % growth (CC)</i>		<i>+6%¹³</i>	<i>+7%</i>		<i>+10%</i>
Telephone	19.5	19.9	19.5	9.8	10.2
<i>YoY % growth (CC)</i>		<i>+4%</i>	<i>(4)%</i>		<i>(0)%</i>
Paddy Power Group Operating Expenses	417.6	479.6	550.1	260.5	318.3
<i>YoY % growth (CC)</i>		<i>+19%</i>	<i>+14%</i>		<i>+16%</i>

2013 compared to 2012

Paddy Power Group operating expenses increased by 19% in 2013 to €479.6 million driven by growth in the Paddy Power Group's scale and investment in product expansion, marketing, technology, people and new shops. Employee expenses increased by €26.5 million driven by increased headcount across the Paddy Power Group with total employees at 31 December 2013 of 4,422, an increase of 17% from the previous year. Property expenses increased by €4.1 million driven mainly by new retail shop openings and also continued expansion in office space requirements due to increased headcount. Marketing expenses increased by €8.2 million due to investment in brand and marketing capabilities to drive customer acquisition and retention and growth in revenues. Technology and communications expenses increased by €7.5 million due to increased investment in enhancing and expanding the Paddy Power Group's product range and increasing the Paddy Power Group's technology capabilities for its increased scale. Depreciation and amortisation increased by €7.3 million driven primarily by increases in the size of the retail estates, increased investment in product development and in technology infrastructure. Other expenses increased by €8.3 million driven by increased scale in the Paddy Power Group impacting costs such as bank charges and software licences; increased professional fees and foreign exchange retranslation losses.

¹³ There is a slight % variance between the 2013 annual report and the figures in the table above because the table for Irish retail in the 2013 annual report is not in constant currency whereas this table is. For the comparison of 2014 and 2013, the annual report variance was in constant currency.

Total online (ex Australia) operating expenses increased by 23% to €185.1 million driven by strong growth in revenues and customers, ongoing investment in product, marketing and people and increased investment in Italy. Online Australia operating expenses increased by 26% to €101.6 million driven by strong growth in revenues and active customers and ongoing investment in product, marketing and people. UK retail operating expenses grew 22% to €82.2 million driven by a 25% increase in average shop numbers with like-for-like shop operating expenses up just 2%, reflecting rigorous attention to cost management. Irish retail operating expenses increased by 6%¹⁴ to €90.7 million driven by new shop openings and like-for-like growth of 3% reflecting the impact of content cost inflation, investment in product and increased bet volumes per shop. Telephone operating expenses increased by 4% to €19.9 million, reflecting 10% growth in bet volumes and selective investment in product and infrastructure.

2014 compared to 2013

Paddy Power Group operating expenses increased by 14% in 2014 to €550.1 million driven by growth in the Paddy Power Group's scale and investment in product expansion, marketing, technology, people and new shops. Employee expenses increased by €28.6 million driven by increased headcount across the Paddy Power Group with total employees at 31 December 2014 of 5,012, an increase of 13% from the previous year. Property expenses increased by €10.0 million driven mainly by new retail shop openings and also some expansion in office space requirements due to increased headcount. Marketing expenses increased by €24.8 million due to investment in brand and marketing capabilities to drive customer acquisition and retention and growth in revenues, including investment targeting the FIFA World Cup. Technology and communications expenses increased by €6.1 million due to increased investment in enhancing and expanding the Paddy Power Group's product range and increasing the Paddy Power Group's technology capabilities for its increased scale. Depreciation and amortisation increased by €8.5 million driven primarily by increases in the size of the retail estates, increased investment in product development and in technology infrastructure. Other expenses decreased by €7.4 million driven by foreign exchange retranslation gains, decreased professional fees and a net credit in respect of contingent deferred consideration relating to 2011 business acquisitions, partially offset by the increased scale of the Paddy Power Group impacting costs such as bank charges and software licences.

Total online (ex Australia) operating expenses increased by 9% to €205.4 million driven by strong growth in revenues and customers, ongoing investment in product, marketing and people and increased investment in Italy. Online Australia operating expenses increased by 24% to €118.9 million driven by strong growth in revenues and customers and ongoing investment in product, marketing and people. UK retail operating expenses grew 26% to €108.3 million driven by a 27% increase in average shop numbers with like-for-like operating expenses up 3%, reflecting good cost discipline and scaling of central UK head office costs. Irish retail operating expenses increased by 7% to €98.0 million driven by new shop openings with like-for-like operating expense growth of 2%. Telephone operating expenses decreased by 4% to €19.5 million.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Paddy Power Group operating expenses increased by 16% in the six months ended 30 June 2015 to €318.3 million driven by growth in the Paddy Power Group's scale and investment in product expansion, marketing, technology, people and new shops. Employee expenses increased by €27.2 million driven by increased headcount across the Paddy Power Group. Property expenses increased by €7.3 million driven mainly by new retail shop openings and also some expansion in office space requirements due to increased headcount. Marketing expenses increased by €10.5 million due to investment in brand and marketing capabilities to drive customer acquisition and retention and growth in revenues, including accelerated investment in Australia. Technology and communications expenses increased by €3.5 million due to increased investment in enhancing and expanding the Paddy Power Group's product range and increasing the Paddy Power Group's technology capabilities for its increased scale. Depreciation and amortisation increased by €2.4 million driven primarily by increases in the size of the retail estates, increased investment in product development and in technology infrastructure. Other expenses increased by €6.9 million driven by increased scale in the Paddy Power Group impacting costs such as bank charges and software licences; increased professional fees partially offset by foreign exchange retranslation gains.

¹⁴ There is a slight % variance between the 2013 annual report and the figures in the table because the table for Irish retail in the 2013 annual report is not in constant currency whereas this table is. For the comparison of 2014 and 2013, the annual report variance was in constant currency.

Online (ex Australia) operating expenses increased by 10% to €114.5 million driven by strong growth in revenues and ongoing investment in product and marketing partially offset by efficiency initiatives and a 19% reduction in Italy operating expenses following a restructuring of its cost base. Online Australia operating expenses increased by 34% to €75.4 million driven by strong growth in revenues and customers, ongoing investment in product and materially increased brand investment. UK retail operating expenses grew 18% to €64.9 million driven by a 16% increase in average shop numbers and like-for-like operating expense growth of 3%. Irish retail operating expenses increased by 10% to €53.2 million driven by new shop openings and like-for-like operating expense growth of 7%, reflecting new regulations allowing shops to open every evening all year around. Telephone operating expenses were in line with the comparative period at €10.2 million.

5.4 Operating Profit

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	€m	€m	€m	€m	€m
Operating Profit by Division					
Online (ex Australia)	72.7	73.5	75.3	22.0	31.6
YoY % growth (CC)		+1%	+4%		+21%
Online Australia	30.8	33.5	52.4	21.8	38.8
YoY % growth (CC)		+25%	+68%		+69%
UK Retail	15.3	13.9	21.2	9.5	12.0
YoY % growth (CC)		(6)%	+50%		+3%
Irish Retail	14.4	14.0	15.6	8.6	10.6
YoY % growth (CC)		(4)%	+15%		+36%
Telephone	2.7	2.5	(0.7)	(1.9)	(12.9)
YoY % growth (CC)		(3)%	n/a		n/a
Paddy Power Group Operating Profit	136.0	137.4	163.8	60.1	80.1
YoY % growth (CC)		+4%	+22%		+19%

2013 compared to 2012

Paddy Power Group operating profit increased by 4% in 2013 to €137.4 million with strong growth in online Australia profits offsetting decreases in the retail and telephone divisions. Online (ex Australia) operating profit increased by 1% to €73.5 million despite the impact of adverse sports results and the first full year of investment in the Italian business. Online Australia operating profit increased by 25% to €33.5 million despite a €2 million headwind from higher product fees payable to racing and sports bodies, driven by strong growth in revenues. UK retail operating profit decreased by 6% to €13.9 million driven by a €1.8 million headwind from the new MGD gaming tax regime. Irish retail operating profit decreased by 4% to €14.0 million driven by unfavourable sports results, particularly at the Cheltenham racing festival. Telephone operating profits decreased by 3% to €2.5 million, reflecting reduced customer staking with the absence of a major international football championship in 2013.

2014 compared to 2013

Paddy Power Group operating profit increased by 22% in 2014 to €163.8 million despite the impact of new taxes and product fees with strong growth in online and retail profits. Online (ex Australia) operating profit increased by 4% to €75.3 million but was held back by a €3 million headwind from the new UK point of consumption tax introduced in December 2014, as well as by adverse sports results, which had a negative gross impact of approximately €14 million year-on-year. Online Australia operating profit increased by 68% to €52.4 million notwithstanding higher product fees, driven by accelerated online growth in customers and revenues. UK retail operating profit increased by 50% to €21.2 million driven by 38% higher profits from the like-for-like estate which achieved net revenue growth of 8% and strong operational leverage. Irish retail operating profit increased by 15% to 15.6 million driven by new shop openings. The telephone division recorded a small operating loss in 2014 of €0.7 million following adverse sports results and the impact of UK point of consumption tax introduced from December 2014.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Paddy Power Group operating profit increased by 19% in the six months ended 30 June 2015 to €80.1 million or by 68% before taking account of €32 million in new taxes and product fees with strong growth in online and retail profits. Online (ex Australia) operating profit increased by 21% to €31.6 million despite €28 million in new taxes. Online Australia operating profit increased by 69% to €38.8 million with accelerated market share growth driving 46% net revenue growth. UK retail operating profit increased by 3% to €12.0 million despite an additional €2 million MGD payable following the rate increase from 20% to 25% from March 2015 and the negative impact of new machine regulation for the '£50 staking journey'. Irish retail operating profit increased by 36% to €10.6 million driven by strong revenue growth in the existing estate and increased new shop openings. The telephone division recorded a €12.9 million operating loss with a negative net revenue percentage arising in the period, wholly due to a significantly adverse sequence of sports results which statistically had a less than 1% probability of occurrence.

5.5 Financial income and expense

<u>Paddy Power Group</u>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
Financial income	3.4	3.8	2.9	1.6	0.9
Financial expense	(0.3)	(0.2)	(0.2)	(0.1)	(0.5)
Net financial income	3.2	3.6	2.8	1.6	0.4

2013 compared to 2012

Net financial income increased from €3.2 million to €3.6 million in 2013 driven by higher cash balances.

2014 compared to 2013

Net financial income decreased from €3.6 million to €2.8 million in 2014 driven by lower deposit interest rates earned on cash balances.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Net financial income decreased from €1.6 million to €0.4 million in the six months ended 30 June 2015 driven by the Paddy Power Group deciding to move from a net cash to a net debt position following a review of its capital structure and as a result putting in place a €300 million Revolving Credit Facility and paying €391 million to Paddy Power Shareholders in June 2015, by way of an €8.00 per share B share scheme.

5.6 Income Tax Expense

<u>Paddy Power Group</u>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
Income tax expense	(18.2)	(17.8)	(21.7)	(8.0)	(12.1)
Effective corporation tax rate (income tax expense as % of profit before tax)	13.0%	12.7%	13.0%	13.0%	15.0%

The Paddy Power Group's income tax expense is a factor of the Paddy Power Group's profit before tax and its effective corporation tax rate. In the years ended 31 December 2012, 2013 and 2014 the effective corporation tax was broadly unchanged at around 13% and therefore the movements in the income tax expense was in line with movements in the profit before tax. In the six months ended 30 June 2015 the income tax expense increased with the effective corporation tax rate increasing to 15% due to changes in the mix of the Paddy Power Group's profits by geography.

5.7 Earnings per share

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
<i>Numerator in respect of basic and diluted earnings per share (€m)</i>					
Profit for the period all attributable to equity holders of Paddy Power	121.0	123.2	144.9	53.6	68.4
<i>Denominator in respect of basic earnings per share:</i>					
Weighted average number of ordinary shares in issue during the year /period (millions)	48.2	48.0	48.1	48.2	47.0
Basic earnings per share	€2.511	€2.567	€3.011	€1.113	€1.456
<i>Denominator in respect of diluted earnings per share:</i>					
Adjusted weighted average number of ordinary shares in issue during the year/period (millions)	48.8	48.9	48.7	48.5	47.2
Diluted earnings per share	€2.481	€2.520	€2.976	€1.106	€1.448

The Paddy Power Group's earnings per share is a factor of the Paddy Power Group's profit after tax and the weighted average number of shares in issue. In the years ended 31 December 2012, 2013 and 2014 the weighted average number of share was broadly unchanged and therefore the movements in the earnings per share was in line with movements in the profit after tax. In the six months ended 30 June 2015 the weighted average number of shares decreased following a 9 for 10 share consolidation in June 2015 as part of the return of €8 per share to shareholders via a B share scheme. Therefore both the basic and diluted earnings per share increased by 31% versus a 28% increase in the reported profit after tax.

6. Liquidity and Capital Resources

The Paddy Power Group's primary sources of liquidity have been its cash flows from operating activities and the amounts drawn down on its bank facilities. The Paddy Power Group's principal uses of funds in recent years have been to invest in the business (including via acquisitions), pay dividends to Paddy Power Shareholders (including the return of €391 million to Paddy Power Shareholders via a B share scheme in 2015) and paying taxes.

6.1 Net Debt and Net Cash

Finance Facilities

During the six month period ended 30 June 2015, the Paddy Power Group reviewed its capital structure and decided to move from a net cash to a net debt position. As a result, the Paddy Power Group put in place a five year €300 million Revolving Credit Facility ("RCF") with a syndicate of banks. At 30 June 2015, €245 million of this facility was drawn down and the Paddy Power Group had net debt of €147 million (0.7 times 2014 EBITDA), excluding customer balances.

Borrowings under the RCF are unsecured but are guaranteed by Paddy Power and certain of its operating subsidiaries. Borrowings under the RCF incur interest at EURIBOR plus a margin of between 1.10% and 1.95% A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings.

Under the terms of the RCF, the Paddy Power Group is required to comply with the following financial covenants on a semi-annual basis.

- (a) Consolidated net borrowings shall not be more than 3.0 times consolidated EBITDA.
- (b) Consolidated EBITDA shall not be less than 4.0 times net finance charges.

Further information on the RCF is provided in paragraph 11 of Part IX (*Additional Information*).

In addition as at 30 June 2015, the Paddy Power Group has uncommitted working capital overdraft facilities of €27.6 million with Allied Irish Banks plc. and National Australia Bank Limited. These facilities are secured by a letter of guarantee from Paddy Power plc.

Cash and cash equivalents and financial assets—restricted cash as at 30 June 2015 totalled €170.3 million which included €72.2 million of customer balances that are matched by liabilities of equal value.

This is comprised of cash and cash equivalents of €129.1 million and financial assets—restricted cash of €41.2 million deposited in client fund accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Paddy Power Group companies and as required under the terms of relevant gambling licences.

In addition, the Paddy Power Group has bank guarantees (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Paddy Power Group companies and (2) in respect of certain third party rental and other property commitments and letter of credit facilities. The maximum amount of the guarantees at 30 June 2015 was €14.8 million. No claims had been made against the guarantees as at 30 June 2015. The guarantees are secured by counter indemnities from Paddy Power and certain of its subsidiary companies.

The Australian corporate sports bookmaking licence issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. As at 30 June 2015, the total value of relevant customer balances attributable to the online Australia business segment was €34.6 million (AUD50.3 million) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €47.2 million (AUD68.7 million).

Treasury policies

It is Paddy Power Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits which are held primarily in euro, pounds sterling, Australian dollar and US dollar. This is generally achieved by monthly sales of net foreign currency inflows into euro. Subject to the approval of the Paddy Power Investment Committee, the Paddy Power Group may make use of forward contracts, intentional imbalances between foreign currency denominated liabilities and assets, and other derivatives to manage foreign currency exposures on expected future cash flows. As disclosed in the Paddy Power 2015 Interim Results Announcement, the Paddy Power Group has sold approximately 60% of its expected second half 2015 pounds sterling denominated profit for settlement at an average rate of 0.786. The Paddy Power Group has also sold £50 million for settlement in 2016 at an average rate of 0.719.

Interest rate risk arises primarily from the Paddy Power Group's borrowings which are at a floating rate as described in the finance facilities section above. This risk is managed through the use of interest rate derivatives as appropriate. At 30 June 2015, the Paddy Power Group was not party to any such interest rate hedging contracts.

Liquidity

The Paddy Power Group performs regular cash projections to ensure that there is sufficient cash on hand to meet its expected payments as they fall due. The nature of the Paddy Power Group's business and the potential volatility in sporting results can result in significant differences between expected and actual short term cash flows. Consequently, a conservative approach is applied to cash forecasting and flexibility is built into the forecast to cover potentially adverse sporting results. Cash deposit placement time periods are decided upon by reference to cash inflows forecast and expected requirements in respect of the Paddy Power Group's financial obligations. The Paddy Power Group's treasury policy sets a maximum maturity on deposits of up to six months. The Paddy Power Directors believe that the Paddy Power Group's cash deposit balances can be withdrawn without significant penalty. Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Paddy Power Group's borrowings facility including its Revolving Credit Facility. The Paddy Power Group maintains adequate facilities to meet such requirements as described in the finance facilities section above.

6.2 Balance Sheet

The following table sets out the Paddy Power Group's balance sheets as at 31 December 2012, 31 December 2013 and 31 December 2014 and as at 30 June 2014 and 30 June 2015.

	Year ended 31 December			Six months ended 30 June	
	2012 €m	2013 €m	2014 €m	2014 €m	2015 €m
Assets					
Property, plant and equipment	105.5	116.2	126.7	125.0	126.6
Intangible assets	62.5	69.2	76.4	73.5	81.0
Goodwill	96.6	92.6	102.8	101.8	107.0
Financial assets—restricted cash	5.4	1.0	—	—	—
Deferred tax assets	6.6	8.0	8.2	8.7	8.7
Trade and other receivables	4.8	2.9	2.0	1.7	1.1
Total non-current assets	281.4	289.9	316.2	310.7	324.4
Trade and other receivables	26.1	29.3	32.4	37.9	38.3
Derivative financial assets	0.4	—	—	—	—
Financial assets—restricted cash	33.0	52.8	39.2	53.5	41.2
Financial assets—deposits	42.0	13.7	19.3	—	—
Cash and cash equivalents	129.0	161.4	226.5	190.9	129.1
Total current assets	230.4	257.1	317.4	282.3	208.6
Total assets	511.8	547.0	633.6	593.0	533.0
Equity					
Issued share capital	5.1	5.1	5.1	5.1	4.1
Share premium	40.0	41.6	45.0	43.2	45.3
Treasury shares	(34.2)	(34.2)	(57.5)	(34.2)	(51.8)
Shares held by long term incentive plan trust	(56.2)	(71.7)	(61.5)	(61.5)	(48.8)
Other reserves including foreign currency translation, cash flow hedge and share based payment reserves	38.6	23.4	34.8	21.8	22.9
Retained earnings	284.3	346.8	421.0	353.6	38.1
Total equity attributable to equity holders of Paddy Power	277.7	311.0	387.0	328.1	10.0
Liabilities					
Trade and other payables	173.5	181.0	201.4	208.0	235.0
Derivative financial liabilities	11.8	17.0	17.0	26.9	20.9
Provisions	0.5	0.5	0.5	0.5	0.6
Current tax payable	18.3	20.5	17.4	16.9	13.8
Borrowings	—	—	—	—	—
Total current liabilities	204.0	219.0	236.3	252.3	270.3
Trade and other payables	23.7	12.3	5.8	7.1	5.1
Derivative financial liabilities	0.2	0.3	0.1	0.4	0.1
Provisions	1.4	1.1	1.2	1.2	1.2
Deferred tax liabilities	4.8	3.3	3.2	4.0	3.8
Borrowings	—	—	—	—	242.5
Total non-current liabilities	30.1	17.0	10.3	12.6	252.7
Total liabilities	234.1	236.0	246.6	264.9	523.0
Total equity and liabilities	511.8	547.0	633.6	593.0	533.0

Non-current assets

2013 compared to 2012

Total non-current assets increased by €8.5 million. This was primarily driven by additions to property, plant and equipment less depreciation (€12.2 million), net growth in intangible assets (€10.5 million), goodwill

arising on retail shop acquisitions (€6.8 million), and an increase in deferred tax assets (€1.4 million), offset by FX on translation for property, plant and equipment (€1.5 million), for intangible assets (€3.8 million), and for goodwill (€10.9 million), a reduction in long term restricted cash (€4.4 million) and a reduction in long term trade and other receivables (€1.9 million).

2014 compared to 2013

Total non-current assets increased by €26.3 million. This was primarily driven by additions to property, plant and equipment less depreciation (€10.0 million), net growth in intangible assets (€5.0 million), goodwill arising on retail shop acquisitions (€7.7 million), an increase in deferred tax assets (€0.3 million), and an increase in FX on translation for property, plant and equipment (€0.4 million), for intangible assets (€2.2 million), and for goodwill (€2.6 million), offset by a reduction in long term restricted cash (€1.0 million) and a reduction in long term trade and other receivables (€0.9 million).

30 June 2015 compared to 30 June 2014

Total non-current assets increased by €13.7 million. This was primarily driven by an increase in property, plant and equipment (€1.6 million), and an increase in intangible assets (€7.5 million), goodwill arising on retail shop acquisitions (€4.1 million), and an increase in FX on translation for goodwill (€1.1 million), offset by a reduction in long term trade and other receivables (€0.6 million).

Current assets

2013 compared to 2012

Total current assets increased by €26.7 million. A combination of sporting results in the period, and an increase in deposits held to guarantee third party letter of credit facilities, led to an increase in financial assets—restricted cash of €19.8 million. Trade and other receivables increased by €3.2 million and unrestricted cash (financial assets—deposits and cash and cash equivalents) increased by €4.0 million due to underlying growth in the business, net of an increase in working capital in the period. Derivative financial assets decreased by €0.4 million due to hedge accounting for foreign exchange forward contracts.

2014 compared to 2013

Total current assets increased by €60.3 million. Trade and other receivables increased by €3.1 million and unrestricted cash (financial assets—deposits and cash and cash equivalents) increased by €70.7 million due to underlying growth in the business. Sporting results in the period, coupled with a reduction in deposits held to guarantee third party letter of credit facilities, led to a decrease in financial assets—restricted cash of €13.6 million.

30 June 2015 compared to 30 June 2014

Total non-current assets decreased by €73.7 million. Unrestricted cash (financial assets—deposits and cash and cash equivalents) decreased by €61.8 million, largely due to a return of capital to shareholders, part funded from existing cash balances. Sporting results in the period, coupled with a reduction in deposits held to guarantee third party letter of credit facilities, led to a decrease in financial assets—restricted cash of €12.3 million. Trade and other receivables increased by €0.4 million due to underlying growth in the business.

Equity

2013 compared to 2012

Total equity increased by €33.3 million. This increase was primarily driven by profit in the period (€123.2 million), an increase in the share based payment reserve for long term incentive plan costs (€17.7 million) deferred tax on share based payments (€0.2 million), equity settled transactions and vestings (€0.2 million), and share premium on shares issued (€1.6 million), offset by dividends (€61.9 million), shares purchased for the long term incentive plan trust (€24.2 million), foreign exchange translation (€21.8 million), and the net change in fair value of the cash flow hedge reserve (€1.7 million).

2014 compared to 2013

Total equity increased by €76.0 million. This increase was primarily driven by profit in the period (€144.9 million), an increase in the share based payment reserve for long term incentive plan costs (€17.2 million) equity settled transactions—vestings (€0.6 million), foreign exchange translation (€7.6 million), and share premium on shares issued (€3.3 million), offset by dividends (€69.0 million), shares purchased and placed in treasury (€23.6 million), shares purchased for the long term incentive plan trust (€3.9 million), deferred tax on share-based payments (€0.2 million) and the net change in fair value of the cash flow hedge reserve (€1.0 million).

30 June 2015 compared to 30 June 2014

Total equity decreased by €318.1 million. This decrease was primarily driven by a return of capital to shareholders (€392.2 million), dividends (€74.5 million), shares purchased and placed in treasury (€23.6 million), shares purchased for the long term incentive plan trust (€11.0 million), and the net change in fair value of the cash flow hedge reserve (€3.6 million), offset by profit in the period (€159.7 million), an increase in the share based payment reserve for long term incentive plan costs (€17.5 million), foreign exchange translation (€6.3 million), share premium on shares issued (€2.2 million), LTIP costings (€0.9 million) and deferred tax on share based payments (€0.2 million).

Current liabilities

2013 compared to 2012

Total current liabilities increased by €15.0 million. Trade and other payables increased by €7.6 million due to underlying growth in the business, net of an increase in working capital in the period—see non-current liabilities below. Derivative financial liabilities increased by €5.2 million due to fair value accounting for sports betting open positions and hedge accounting for foreign exchange forward contracts. Current tax payable increased by €2.2 million primarily due to timing of settlement.

2014 compared to 2013

Total current liabilities increased by €17.3 million. Trade and other payables increased by €20.4 million due to underlying growth in the business. Current tax payable decreased by €3.1 million primarily due to timing of settlement.

30 June 2015 compared to 30 June 2014

Total current liabilities increased by €18.0 million. Trade and other payables increased by €27.0 million due to underlying growth in the business, and accruals for point of consumption taxation (introduced in December 2014). Derivative financial liabilities decreased by €6.1 million, primarily due to a year on year reduction in sports betting open positions as a result of the FIFA World Cup in 2014. Current tax payable decreased by €3.1 million primarily due to timing of settlement.

Non-current liabilities

2013 compared to 2012

Total non-current liabilities decreased by €13.1 million. Trade and other payables decreased by €11.4 million primarily due to an increase in working capital in the period. Provisions decreased by €0.3 million due to the unwinding of onerous lease contracts.

2014 compared to 2013

Total non-current liabilities decreased by €6.7 million. Trade and other payables decreased by €6.5 million primarily due to a reduction in contingent deferred consideration no longer due. Derivative financial liabilities decreased by €0.2 million due to a reduction in the aging of sports betting open positions.

30 June 2015 compared to 30 June 2014

Total non-current liabilities increased by €240.1 million. During the period, the Paddy Power Group secured a committed revolving credit bank loan facility of €300 million, of which €245.0 million was drawn down as at 30 June 2015 with €2.5 million of directly attributable expenses netted against the amount drawn down. Trade and other payables decreased by €2.0 million primarily due to a reduction in contingent

deferred consideration no longer due. Derivative financial liabilities decreased by €0.3 million due to a reduction in the aging of sports betting open positions.

6.3 Cash flows

The following table sets out the Paddy Power Group's cash flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2014 and 30 June 2015.

	Year ended 31 December			Six months ended 30 June	
	2012 €m	2013 €m	2014 €m	2014 €m	2015 €m
Cash flows from operating activities					
Profit for the year	121.0	123.2	144.9	53.6	68.4
Income tax expense	18.2	17.8	21.7	8.0	12.1
Financial income	(3.4)	(3.8)	(2.9)	(1.6)	(0.9)
Financial expense	0.3	0.2	0.2	(0.1)	0.5
Depreciation and amortisation	32.2	39.5	48.0	23.7	26.1
Employee equity-settled share based payment expense	12.5	17.7	17.2	3.4	3.6
Foreign currency exchange (gain)/loss	(0.5)	0.5	(1.5)	(0.8)	(2.5)
Loss on disposal of property plant and equipment and intangible assets	0.1	0.1	0.1	(0.0)	0.2
Cash from operations before changes in working capital	180.3	195.1	227.6	86.3	107.4
Decrease/(increase) in trade and other receivables	7.4	(3.3)	(0.1)	(6.7)	(6.8)
Increase in trade and other payables and provisions	40.6	8.1	13.1	(26.0)	25.0
Cash generated from operations	228.3	199.9	240.6	105.6	125.6
Income taxes paid	(15.4)	(17.0)	(25.6)	(12.2)	(14.6)
Net cash from operating activities	212.9	182.9	215.1	93.4	111.0
Purchase of property, plant and equipment	(32.7)	(34.8)	(38.7)	(20.4)	(14.3)
Purchase of intangibles assets	(18.7)	(22.6)	(28.2)	(13.8)	(14.8)
Purchase of businesses, net of cash acquired	(3.7)	(6.6)	(6.4)	(6.2)	(1.9)
Payment of contingent deferred consideration	(0.9)	(3.1)	(5.4)	(0.0)	(1.1)
Proceeds from disposal of PPE and intangibles	0.1	0.1	0.0	0.0	0.1
Transfers (to)/from financial assets—deposits	(42.6)	28.0	(5.1)	13.8	21.0
Interest received	3.4	3.2	2.9	1.5	1.1
Net cash used in investing activities	(95.2)	(35.9)	(80.9)	(25.0)	(9.9)
Proceeds from the issue of new shares	2.2	1.6	3.3	1.5	0.4
Proceeds of shares by long term incentive plan trust	(36.3)	(24.2)	(3.9)	(3.9)	(11.0)
Purchase of own shares including direct purchase related costs	—	—	(23.6)	—	—
Dividends paid	(53.5)	(61.9)	(69.0)	(44.4)	(49.9)
Return of capital to shareholder (including associated costs)	—	—	—	—	(390.0)
Net amounts drawn on borrowing facilities	—	—	—	—	245.0
Fees in respect of borrowing facility	—	—	—	—	(2.1)
Movements in current and non-current restricted cash balances	(12.7)	(15.4)	17.0	1.8	1.4
Interest paid	(0.1)	(0.3)	(0.3)	(0.2)	(0.4)
Net cash used in financing activities	(100.4)	(100.2)	(76.4)	(45.1)	(206.6)
Net increase/(decrease) in cash & cash equivalents	17.4	46.8	57.8	23.3	(105.5)
Cash and cash equivalents at start of period	111.1	129.0	161.4	161.4	226.5
Foreign currency exchange gain/(loss) on cash and cash equivalents	0.5	(14.4)	7.4	6.2	8.1
Cash and cash equivalents at end of period	129.0	161.4	226.5	190.9	129.1

Net cash from operating activities

2013 compared to 2012

Net cash from operating activities in 2013 was €182.9 million, a decrease of €30.0 million from €212.9 million in 2012. This decrease was primarily attributable to working capital inflows being €43.2 million lower than the working capital inflows in 2012 driven by payables and tax payments being €1.7 million higher in 2013 compared to 2012 due to timing of tax payments, offset partially by cash from operations before changes in working capital being €14.9 million higher in 2013 driven mainly by higher EBITDA.

2014 compared to 2013

Net cash from operating activities in 2014 was €215.1 million, an increase of €32.2 million from €182.9 million in 2013. This increase was primarily attributable to an increase in cash from operations before changes in working capital of €32.5 million driven mainly by higher EBITDA and working capital inflows being €8.2 million higher than the working capital inflows in 2013 driven mainly by payables and increased activity offset partially by increased tax payments of €8.5 million in 2014 compared to 2013 due to increased profits and timing of payments.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Net cash from operating activities in the six months ended 30 June 2015 was €111.0 million, an increase of €17.5 million from €93.4 million in the six months ended 30 June 2014. This increase was primarily attributable to a €20.0 million increase in operating profit in 2015 compared to 2014 offset partially by increased tax payments of €2.5 million in 2015 due to higher profits.

Net cash used in investing activities

2013 compared to 2012

Net cash used in investing activities in 2013 was €35.9 million, a decrease of €59.3 million from €95.2 million in 2012. In 2013, cash outflows for investing activities included €34.8 million for investments in property, plant and equipment primarily in the retail estate, €22.6 million for investments in computer software mainly in the Paddy Power Group's online businesses, €6.6 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland and €3.1 million of contingent deferred consideration payable in respect of online and retail acquisitions in previous years. These cash outflows were offset by cash inflows of €28.0 million from financial assets—deposits and €3.2 million in respect of interest income.

In 2012, cash outflows for investing activities included €42.6 million in respect of transfers to financial asset—deposits, €32.7 million for investments in property, plant and equipment primarily in the retail estate, €18.7 million for investments in computer software mainly in the Paddy Power Group online businesses, €3.7 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland and €0.9 million of contingent deferred consideration payable in respect of online and retail acquisitions in previous years. These cash outflows were offset by cash inflows of €3.4 million in respect of interest income.

2014 compared to 2013

Net cash used in investing activities in 2014 was €80.9 million, an increase of €45.0 million from €35.9 million in 2013. In 2014, cash outflows for investing activities included €38.7 million for investments in property, plant and equipment primarily in the retail estate, €28.2 million for investments in computer software mainly in the Paddy Power Group online businesses, €6.4 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland, €5.4 million of contingent deferred consideration payable in respect of online and retail acquisitions in previous years and €5.1 million in respect of transfers to financial asset—deposits. These cash outflows were offset by cash inflows of €2.9 million in respect of interest income.

In 2013, cash outflows for investing activities included €34.8 million for investments in property, plant and equipment primarily in the retail estate, €22.6 million for investments in computer software mainly in the Paddy Power Group online businesses, €6.6 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland and €3.1 million of contingent deferred consideration

payable in respect of online and retail acquisitions in previous years. These cash outflows were offset by cash inflows of €28.0 million from financial assets—deposits and €3.2 million in respect of interest income.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Net cash used in investing activities in the six months ended 30 June 2015 was €9.9 million, a decrease of €15.1 million from €25.0 million in the six months ended 30 June 2014. In the six months ended 30 June 2015, cash outflows for investing activities included €14.3 million for investments in property, plant and equipment primarily in the retail estate, €14.8 million for investments in computer software mainly in the Paddy Power Group online businesses, €1.9 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland and €1.1 million of contingent deferred consideration payable in respect of retail acquisitions in previous years. These cash outflows were offset by cash inflows of €21.0 million from financial assets—deposits and €1.1 million in respect of interest income.

In the six months ended 30 June 2014, cash outflows for investing activities included €20.4 million for investments in property, plant and equipment primarily in the retail estate, €13.8 million for investments in computer software mainly in our online businesses and €6.2 million for the acquisition of a number of licenced retail bookmaking businesses in Great Britain and Ireland. These cash outflows were offset by cash inflows of €13.8 million from financial assets—deposits and €1.5 million in respect of interest income.

Net cash used in financing activities

2013 compared to 2012

Net cash used in financing activities in 2013 was €100.2 million, a decrease of €0.2 million from €100.4 million in 2012. In 2013, cash outflows for financing activities mainly reflected €61.9 million paid in dividends, €24.2 million paid for the purchase of shares by the long term incentive plan trust, movements in restricted cash balances of €15.5 million and €0.3 million interest. These cash outflows were offset in part by proceeds of €1.6 million from the issue of new shares.

In 2012, cash outflows for financing activities mainly reflected €53.5 million paid in dividends, €36.3 million paid for the purchase of shares by the long term incentive plan trust, movements in restricted cash balances of €12.7 million and €0.1 million interest. These cash outflows were offset in part by proceeds of €2.2 million from the issue of new shares.

2014 compared to 2013

Net cash used in financing activities in 2014 was €76.4 million, a decrease of €23.8 million from €100.2 million in 2013. In 2014, cash outflows for financing activities mainly reflected €69.0 million paid in dividends, €23.6 million in relation to the purchase of own shares, €3.9 million paid for the purchase of shares by the long term incentive plan trust and €0.3 million interest. These cash outflows were offset in part by movements in restricted cash balances of €17.0 million and proceeds of €3.3 million from the issue of new shares.

In 2013, cash outflows for financing activities mainly reflected €61.9 million paid in dividends, €24.2 million paid for the purchase of shares by the long term incentive plan trust, movements in restricted cash balances of €15.5 million and €0.3 million interest. These cash outflows were offset in part by proceeds of €1.6 million from the issue of new shares.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Net cash used in financing activities in the six months ended 30 June 2015 was €206.6 million, an increase of €161.4 million from €45.1 million in the six months ended 30 June 2014. In the six months ended 30 June 2015, cash outflows for financing activities mainly reflected €49.9 million paid in dividends, €390.0 million return of capital to shareholders including associated costs, €11.0 million paid for the purchase of shares by the long term incentive plan trust, fees in respect of borrowing facility of €2.1 million and €0.4 million interest. These cash outflows were offset in part by net amounts drawn under borrowings facility of €245.0 million, movements in restricted cash balances of €1.4 million and proceeds of €0.4 million from the issue of new shares.

In the six months ended 30 June 2014, cash outflows for financing activities mainly reflected €44.4 million paid in dividends, €3.9 million paid for the purchase of shares by the long term incentive plan trust and

€0.2 million interest. These cash outflows were offset in part by movements in restricted cash balances of €1.8 million and proceeds of €1.5 million from the issue of new shares.

Cash and cash equivalents, financial assets—restricted cash and financial assets—deposits¹⁵

Cash and cash equivalents for the purposes of the statement of cash flows comprise the Paddy Power Group's cash and cash deposit at banks with a maturity of three months or less.

Financial assets—restricted cash represents cash held by the Paddy Power Group but which is ring fenced or used as security for specific arrangements (such as cash held in customer funds accounts or as collateral for a bank guarantee), and to which the Paddy Power Group has restricted access for a period of time.

Financial assets—deposits represent term deposits with an original maturity of greater than three months. In accordance with IAS 7, 'Statement of Cash Flows', these deposits do not qualify as a cash equivalent for the purposes of the statement of cash flows as the maturity is greater than three months from the date of the original deposit.

Cash and cash equivalents and financial assets of the Paddy Power Group are held primarily in euro, pounds sterling, Australian dollar and US dollar. As at 30 June 2015, the Paddy Power Group held cash and cash equivalents of €129.1 million and financial assets—restricted cash of €41.2 million. At 30 June 2015, customer balances were €72.2 million.

The Paddy Power Group had €226.5 million in cash and cash equivalents, €39.2 million in financial assets—restricted cash and €19.3 million in financial assets—deposits at 31 December 2014, €161.4 million in cash and cash equivalents, €52.8 million in financial assets—restricted cash and €13.7 million in financial assets—deposit at 31 December 2013, €129.0 million in cash and cash equivalents, €33.0 million in financial assets—restricted cash and €42.0 million in financial assets—deposit at 31 December 2012 and €190.9 million in cash and cash equivalents and €53.5 million in financial assets—restricted cash at 30 June 2014. Customer balances at the end of 2014, 2013 and 2012 were €67.1 million, €57.3 million and €56.8 million respectively. At 30 June 2014, customer balances were €69.4 million.

6.4 Capital expenditure

In 2014, 2013 and 2012 respectively, the Paddy Power Group's capital expenditure was €66.9 million comprising €38.7 million relating to the purchase of property plant and equipment and €28.2 million relating to the purchase of intangible assets, €57.4 million comprising €34.8 million relating to the purchase of property plant and equipment and €22.6 million relating to the purchase of intangible assets and €51.4 million comprising €32.7 million relating to the purchase of property plant and equipment and €18.7 million relating to the purchase of intangible assets.

For the six months ended 30 June 2015 and 30 June 2014, capital expenditure was €29.1 million comprising €14.3 million relating to the purchase of property plant and equipment and €14.8 million relating to the purchase of intangible assets and €34.2 million comprising €20.4 million relating to the purchase of property plant and equipment and €13.8 million relating to the purchase of intangible assets respectively. The majority of spend in the six months ended 30 June 2015 mainly related to technology spending for product development and new openings, refits and refurbishments in the Paddy Power Group's retail estate.

The Paddy Power Group plans to continue to invest in new product expansion and enhancement and its retail estate including the opening of new shops, refits and refurbishments. It expects to fund the capital expenditures from its current cash, cash flows from operating activities and funds available under its existing bank facilities.

¹⁵ Detail in respect of cash and cash equivalents, financial assets—restricted cash, financial assets—deposits and customer balances is presented in this section in order to provide a more accurate representation of the Paddy Power Group's overall cash position.

6.5 Contractual commitments and off balance sheet arrangements

The following table sets out the Paddy Power Group's debt and contractual obligations, (comprising minimum future payments under non-cancellable operating leases) as at 30 June 2015¹⁶.

	<u>Total</u>	<u>Less than one year</u>	<u>1–5 years</u>	<u>More than 5 years</u>
	€m	€m	€m	€m
Long-term debt obligations	245.0	—	245.0	—
Operating leases	215.1	33.3	105.8	76.0
Total	<u>460.1</u>	<u>33.3</u>	<u>350.8</u>	<u>76.0</u>

Long term debt obligations represent the €245.0 million of the RCF that was drawn down at 30 June 2015.

Operating leases primarily relates to rental payments on the Paddy Power Group's retail estate. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately six years left to run (if the Paddy Power Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

In addition as at 30 June 2015, the Paddy Power Group had commitments of €1.0 million in relation to certain capital expenditures which are contracted but not incurred and therefore not recorded as liabilities in the Paddy Power Group's balance sheet.

7. Capitalisation and indebtedness of the Paddy Power Group

The following tables set out the capitalisation of the Paddy Power Group as at 30 June 2015:

	<u>€m</u>
Total current debt	
Guaranteed	0.0
Secured	0.0
Unguaranteed / Unsecured—customer balances	72.2
Total non-current debt (excluding current portion of non-current debt)	
Guaranteed—Revolving Credit Facility ¹⁷	245.0
Secured	0.0
Unguaranteed / Unsecured	0.0
	<u>€m</u>
Issued share capital	4.1
Share premium	45.3
Treasury shares	(51.8)
Shares held by long term incentive plan trust	(48.8)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves	22.9

¹⁶ Operating leases were not required to be disclosed in the Paddy Power 2015 Interim Results Announcement.

¹⁷ Borrowings under the Revolving Credit Facility are unsecured but are guaranteed by Paddy Power and certain of its operating subsidiaries.

The following table sets out the indebtedness of the Paddy Power Group as at 30 June 2015:

	<u>€m</u>
Cash and cash equivalents	129.1
Financial assets—restricted cash	41.2
Liquidity	170.3
Borrowings	0.0
Other current financial debt—customer balances	(72.2)
Current financial debt	(72.2)
Net current financial indebtedness	98.1
Non-current debt—Revolving Credit Facility	(245.0)
Non-current financial indebtedness	(245.0)
Net financial indebtedness	<u>(146.9)</u>

8. Disclosures about Market and Credit Risks

The Paddy Power Group is exposed to market risks, including sports betting pricing/odds, currency, interest rate, credit and liquidity risks.

8.1 Market risk

Market risk relates to the risk that changes in prices, including sports betting prices/odds, foreign currency exchange rates and interest rates, will impact the Paddy Power Group's income or the value of its financial instruments. Market risk management has the function of managing and controlling the Paddy Power Group's exposures to market risk to within acceptable limits, while at the same time ensuring that returns are optimised.

The management of market risk is performed by the Paddy Power Group under the supervision of the Bookmaking Risk Committee and the Paddy Power Investment Committee and according to the guidelines approved by them. The Paddy Power Group will utilise hedges where there is an identified requirement to manage profit or loss volatility.

Sports betting prices/ odds

Managing the risks associated with Sportsbook bets is a fundamental part of the Paddy Power Group's business. The Paddy Power Group has a bookmaking risk function which has responsibility for the compilation of bookmaking odds and for Sportsbook risk management. This function reports directly to the Paddy Power Group chief executive officer and to the Bookmaking Risk Committee of the Paddy Power Board. The Paddy Power risk department is responsible for the creation and pricing of all betting markets and the trading of those markets through their lives. A mix of traditional bookmaking approaches married with risk management techniques from other industries is applied, and extensive use is made of mathematical models and information technology. The Paddy Power Group has set predefined limits for the acceptance of Sportsbook bet risks. Stake and loss limits are set by reference to individual sports, events and bet types. These limits are subject to formal approval by the Bookmaking Risk Committee. Risk management policies also require Sportsbook bets to be hedged with third parties in certain circumstances to minimise potential losses. The profits and losses recorded on Sportsbook hedging activities are recorded in 'income' in the income statement.

8.2 Foreign currency risk

The Paddy Power Group is exposed to currency risk in respect of income, expenses, receivables, cash and cash deposits, and other financial assets and financial liabilities (primarily trade payables and accruals and customer balances) that are denominated in currencies that are not the functional currency of the entities in the Paddy Power Group. The currencies in which transactions are primarily denominated are the euro, the pounds sterling, the Australian dollar and the US dollar. The Paddy Power Group does not accept business from residents of the United States of America and USD transactions arise primarily from USD-denominated poker customer play.

It is Paddy Power Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. This is generally achieved by monthly sales of net foreign currency inflows into euro (or the subsidiaries' functional currency) at spot rates. Foreign exchange impacts therefore arise on the retranslation of their income and expense into euro for Paddy Power Group reporting purposes. Subject to the approval of the Paddy Power Investment Committee, the Paddy Power Group may make use of forward contracts, intentional imbalances between foreign currency denominated liabilities and assets, and other derivatives to manage foreign currency exposures on expected future cash flows. The Paddy Power Group's Australian activities are conducted by separate subsidiaries whose functional currency is AUD.

While the Paddy Power Group generally maintains a naturally hedged balance sheet, as described in the preceding paragraph, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its foreign operations. In order to mitigate this risk, the Paddy Power Group enters into foreign exchange forward contracts. The contracts will typically hedge a portion of expected pounds sterling cash flows in order to reduce the volatility to which the Paddy Power Group is exposed. As stated in its 2015 interim results the Paddy Power Group had sold forward approximately 60% of its expected second half 2015 pounds sterling denominated operating profit for settlement at an average rate of 0.786 and had also sold £50 million for settlement in 2016 at an average rate of 0.719.

8.3 Interest rate risk

Interest rate risk arises primarily from the Paddy Power Group's borrowings which are at a floating rate. The Paddy Power Group may manage this risk through the use of interest rate derivatives as appropriate. At 30 June 2015, the Paddy Power Group was not party to any such interest rate hedging contracts. Excess cash funds are invested in interest-bearing bank deposits on which the interest rate is fixed for the term of the deposit. Paddy Power Group treasury policy imposes limits on the terms over which cash can be placed on deposit.

Based on the level of borrowings and cash balances at 30 June 2015, a 50 basis points change in interest rates would increase / decrease net finance costs by €0.6 million and €1.0 million respectively. The increase and decrease in interest rates do not have the same impact as the Paddy Power Group currently earns less than 50 basis points on its cash balances and were interest rates to fall by 50 basis points, the lost interest on the cash balances would be disproportionately offset by the saving on its floating rate borrowings compared to a 50 basis points increase in interest rates.

8.4 Credit risk

The Paddy Power Group's credit risk represents the risk that a financial loss may result in the event that a counterparty to a financial instrument, a trading partner or customers of (primarily) the Australian businesses fail to meet their contractual obligations.

Trade and other receivables

The Paddy Power Group's sports betting and gaming businesses (excluding Australia) are predominantly cash and credit card/ debit card businesses where there is a requirement that the customer pays in advance when a transaction is entered into. An option for customers to avail of credit is normal practice in the Australian online and telephone sports betting markets and, accordingly, the Australian sports betting business model is one where credit is sometimes granted to customers. Credit lines are provided to customers on a case by case basis for higher value customers or based on credit ratings for smaller value customers. Individual credit limits are decided upon by the credit control function in the first instance after taking into account credit and background reference checks. The collectability of outstanding trade receivable balances is closely monitored by reference to aged receivables and other reports and any receivable balances considered to be uncollectible are provided against when identified. Trade and other receivables impairment allowances are established against individual receivable balances when there is objective evidence that such balances are likely to be uncollectible, either in full or in part. The impairment allowance also includes a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. There is no material concentration of sales with individual customers.

Cash investments and foreign exchange forward contracts

It is Paddy Power Group treasury policy to limit investments in cash deposits and foreign exchange forward contracts to counterparties that have a Moody's (or equivalent) long term credit rating of Aa3 or higher and a Moody's (or equivalent) short term credit rating of P1, unless otherwise specifically approved by the Paddy Power Investment Committee (as at the date of this report there are specific approvals for a number of lower rated banks where they have been invested in by the Irish state or by the UK government and / or are perceived by the Paddy Power investment committee to be systemically important).

A list of approved counterparties is maintained by the Paddy Power Group. There are also limits on the percentage of total cash on deposit that can be invested with any individual counterparty. There are also restrictions on the types of cash products that can be invested in.

The Paddy Power Group continues to carefully measure counterparty risk by monitoring credit agency ratings, credit default swap spread prices and other public information, and to take action to mitigate such risks as are identified. The Paddy Power Group has accordingly restricted its cash deposit investments to counterparties that had higher credit ratings and has, when required, shortened the maturities of deposits placed. At times, the maturity profile of deposits is lengthened in order to achieve higher interest returns subject to appropriate counterparty risk.

Guarantees

The Paddy Power Group's policy is generally to provide guarantees only in respect of certain commitments of wholly-owned subsidiaries of the Paddy Power Group. The guarantees entered into are primarily in respect of certain third party obligations of subsidiaries, such as overdraft and bank guarantee facilities. As at 30 June 2015, there were no amounts outstanding in the consolidated financial statements under these guarantees.

The Paddy Power Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Paddy Power Group companies; and (2) in respect of certain third party rental, other property commitments, merchant facilities and third party letter of credit facilities.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient liquid funds to cover monies owed to customers. As at 30 June 2015, the total value of relevant customer balances attributable to the Online Australia business segment was €34.6 million (AUD50.3 million) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €47.2 million (AUD68.7 million).

8.5 Liquidity risk

This represents the risk that the Paddy Power Group will not be able to meet its financial obligations as they fall due. The Paddy Power Group's policy for liquidity management is to ensure that there is sufficient liquidity in place to meet its liabilities as they fall due, both under normal or potential adverse conditions, and without resulting in undue loss or damage to the Paddy Power Group.

The Paddy Power Group performs regular cash projections to ensure that there is sufficient cash on hand to meet its expected obligations as they fall due. The nature of the Paddy Power Group's business and the potential volatility in sporting results can result in significant differences between expected and actual short term cash flows. Consequently, a conservative approach is applied to cash forecasting and flexibility is built into the forecast to cover potentially adverse sporting results. Cash deposit placement time periods are decided upon by reference to cash inflows forecast and expected requirements in respect of the Paddy Power Group's financial obligations. The Paddy Power Group's treasury policy sets a maximum maturity on deposits of up to six months. It is the directors' belief that the Paddy Power Group's cash deposit balances can be withdrawn without significant penalty.

Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Paddy Power Group's borrowings facility including its Revolving Credit Facility. The Paddy Power Group maintains adequate committed but undrawn facilities to meet such requirements.

9. Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Paddy Power Group's accounting policies are summarised in the introduction to the notes to the audited consolidated financial statements incorporated by reference into this document. The Paddy Power Board considers the following policies to be the most significant policies that require management to make subjective and complex judgements or to consider matters that are inherently uncertain.

9.1 Impairment of goodwill and intangible assets

The Paddy Power Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives by comparing the carrying amount of these assets with their recoverable amount. In addition, the Paddy Power Group performs an impairment assessment for such assets whenever there is an indication that the asset may be impaired. The carrying value of the assets is compared to the recoverable amounts to determine if an impairment is necessary. The recoverable amounts are based on the estimated value in use of the assets. Management is required to make estimates of future cash flows, which are impacted by discount rates and growth rates, in determining the value in use. Management estimates discount rates using pretax rates that reflect current market assessments of the time value of money and the risks specific to the operating divisions. The Paddy Power Group prepares cash flow forecasts using the future period's budget and the forecasts are then extrapolated by a growth rate. Any changes in the estimates could result in impairments in future periods.

9.2 Share based payments

The Paddy Power Group operates various share based payment schemes. Judgement and estimation is required in determining the fair value of shares at the date of award.

The fair value of share options granted during the year has been determined using a Black Scholes model. The significant inputs into the model were the share price at the grant date, the exercise prices, the volatility of expected share price returns over both the three year and five year option lives, the option lives disclosed above and annual risk free rates. The volatility measured as the standard deviation of expected share price returns is based on a statistical analysis of Paddy Power's share price over the last three and five years, respectively. The cost of these options is being expensed in the Paddy Power Group income statement over the expected vesting period of the options granted.

9.3 Fair value of derivative and non-derivative financial instruments

The fair value of foreign exchange forward contracts is determined using quoted forward foreign currency exchange rates at the balance sheet date.

The Paddy Power Group performs a revaluation of sports betting open positions at each reporting date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Paddy Power Group in the future, and is dependent on factors that cannot always be reliably predicted.

The contingent deferred consideration payable of €1.3 million at 30 June 2015 represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential payout scenarios. Contingent deferred consideration is payable to vendors by reference to the acquired businesses' performance against various agreed targets.

Section B: Operating and Financial Review relating to Betfair

The financial information relating to Betfair below is extracted without material amendment from the Annual Report and Accounts of Betfair for the financial years ending 30 April 2015 (“FY15”), 30 April 2014 (“FY14”) and 30 April 2013 (“FY13”) and from the unaudited consolidated financial information of Betfair for the six months ended 31 October 2015 and 31 October 2014. Each of Betfair’s Annual Report and Accounts for the financial years ending 30 April 2015, 30 April 2014 and 30 April 2013 (including the independent auditor’s reports in Betfair’s audited historical financial information) is incorporated by reference in this Prospectus as described in the Section “*Documents Incorporated by Reference*”.

The review report for the six months ended 31 October 2015 and six months ended 31 October 2014 and the independent auditor’s reports for each of the years ended 30 April 2015, 30 April 2014 and 30 April 2013 were unqualified.

The financial statements for the six months ended 31 October 2015 and six months ended 31 October 2014 and the financial years ended 30 April 2015, 2014 and 2013 were prepared in accordance with IFRS.

The information below should be read in conjunction with the audited historical financial information and the independent auditor’s reports contained in Betfair’s Annual Report and Accounts alongside the detailed information included in this Prospectus in Part II (*Overview of Business of the Combined Group*) and Part V (*Historical Financial Information*) and the other information incorporated by reference into this Prospectus as described in the Section “*Documents Incorporated by Reference*” and you should not rely solely on key and summarised information.

Some of the information in the review below and elsewhere in this Prospectus and in the information incorporated by reference into this Prospectus includes forward-looking statements that involve risks and uncertainties. Betfair’s actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, including in the Sections “*Risk Factors*”, “*Forward Looking Statements*” and “*Important Information*”.

1. Overview

Betfair is one of the largest online betting and gaming operators in the UK, providing a wide range of sports betting and gaming products to over 1.7 million active customers in more than 100 countries.

Following its public launch in June 2000, Betfair pioneered online person-to-person sports betting by developing a market place through Betfair’s Betting Exchange, where customers come together in order to bet at odds sought by themselves or offered by other customers, thereby eliminating the need for a traditional bookmaker. Betfair’s Betting Exchange allows customers to set their own odds and has been at the forefront of the development of innovative offerings, such as “in-play” betting, which allows customers to bet while a sporting event is in progress.

Betfair floated on the London Stock Exchange in 2010. Since then the business has continued to evolve, launching a traditional fixed odds Sportsbook in 2013 to expand its reach in the recreational market place, and following up with a range of unique products that integrate Betfair’s Betting Exchange and Sportsbook to provide exciting betting opportunities. Betfair’s strategy is to compete hard in regulated markets using distinctive products, attractive pricing, strong promotional activity and substantial marketing investment.

Betfair is organised into two key operating segments.

- Betfair (excluding US) comprises both the unique Betfair’s Betting Exchange and a traditional Sportsbook, enhanced by product features such as Cash Out and Price Rush, as well as a wide range of Gaming products such as Casino, Arcade, Poker, Exchange Games and Bingo.
- Betfair US consists of the online Advanced Deposit Wagering (“ADW”) business TVG, as well as an online casino in New Jersey.

In FY15 the Betfair Group generated £476.5 million in revenue and £120.2 million in EBITDA. Of this, £388.5 million or 82% of Betfair Group revenue was generated in sustainable markets, which are countries where Betfair has a licence to operate and are considered to have good regulatory visibility. This currently consists of the UK, the US, Australia, Bulgaria, Denmark, Gibraltar, Ireland, Italy, Romania, Malta and Spain. In FY15, Betfair had approximately 1,715,000 active customers, of which 1,456,000 were in sustainable markets.

2. Current Trading

On 25 November 2015, Betfair released its interim results for the six months ended 31 October 2015, in which it was noted:

Betfair traded strongly in its key markets throughout the first half of FY16, with revenue up 15% to £274.4 million despite the comparative period containing the World Cup. Betfair's two largest markets, the UK and the USA, accounted for most of this growth. Betfair's Sportsbook continued to take market share, with stakes up 93% year on year. In the US, TVG's acquisition of HRTV in February 2015 gave it greater distribution and access to premium content, which, together with the business' existing momentum, resulted in revenue growth of 38%.

Over the last twelve months Betfair added more than 100 people to its product development teams, and, adjusting for the World Cup, sales and marketing costs were up 13%. Notwithstanding this investment, and the significant burden of higher gaming taxes, strong revenue growth and continued cost discipline resulted in 9% higher EBITDA.

Reported profit before tax, which in the prior year included a £6.4 million gain relating to the disposal of our joint venture in Australia, was down 1% to £66.3 million (H1 FY15: £67.3 million), and reported earnings per share was up 10% to 60.3 pence (H1 FY15: 55.0 pence).

Underlying earnings per share, which excludes the gain on disposal, increased by 23% to 60.3 pence (H1 FY15: 48.9 pence).

3. Significant Factors Affecting Results of Operations

The results of the Betfair Group's operations have been, and continue to be, affected by many factors, some of which are beyond the Betfair Group's control. This section sets out certain key factors that the Betfair Board believes have affected the results of operations in the periods under review or could affect its results of operations in the future. For a discussion of certain factors that may adversely affect results of operations and financial condition, also see the Section "*Risk Factors*".

3.1 Gross Win Margin

The Betfair Group operates a Sportsbook where customers are betting against Betfair, as well as Gaming products such as Casino and Arcade. For each product Betfair's revenue is subject to variations in the gross win margin. Sportsbook gross win margins in a given period are impacted by a number of factors including sporting results and the mix of sporting events. In the case of Gaming products, gross win margins are historically less volatile but are impacted by the profitability or otherwise of larger customers.

3.2 Gross Margin

Betfair's gross margin (defined as contribution, being net revenue less cost of sales, as a percentage of net revenue) has decreased over the period under review from 87.1% in FY13 and FY14 to 81.0% in FY15. Gross margin in the interim periods also decreased from 84.3% in H1 FY15 to 78.0% in H1 FY16. The reductions in FY15 and H1 FY16 were driven by additional gaming taxes, including UK point of consumption tax which was introduced in December 2014. Future gross margins for the Betfair Group will be impacted by the geographical mix of revenues, as well as tax or regulatory changes in key markets.

3.3 Global Economic Conditions

Betting and gaming is a discretionary leisure activity, and as such, macroeconomic conditions which impact disposable income affect Betfair's activations, actives, churn rates and activity levels per active.

3.4 Administrative Expenses

The Betfair Group reports administrative expenses under four categories: sales and marketing, technology, operations and general and administrative. Figures for FY13 are in line with restated prior year comparatives from the 2014 annual report, as prior to that Betfair US was reported as a separate category.

Sales and Marketing

Sales and marketing spend increased during the period under review, from £113.0 million in FY13 to £124.2 million in FY14 and then £136.1 million in FY15. As a percentage of Betfair Group revenue, sales

and marketing spend increased from 29.2% in FY13 to 31.6% in FY14, but then decreased to 28.6% in FY15. Sales and marketing spend for the interim periods increased from £62.0 million in H1 FY15 to £62.7 million at H1 FY16. As a percentage of Betfair Group revenue, sales and marketing spend decreased from 26.1% in H1 FY15 to 22.8% in H1 FY16.

The increased spend over this period demonstrates an ongoing commitment to invest in Betfair's brand, competing aggressively to attract new customers to Betfair. Betfair's largest market, the UK, is highly competitive and consequently media rights such as television advertising contracts have seen persistent inflation. Additional spend was also driven by Betfair's early stage investments in Italy and New Jersey Casino, both of which launched in FY14, as well as the World Cup in FY15. The future level of sales and marketing spend will continue to be influenced by competitor behaviour, major sporting events and regulation as new markets potentially open up.

Technology

Technology spend decreased from £63.0 million in FY13 to £60.1 million in FY14, before increasing to £62.4 million in FY15. This was after the capitalisation of internal development expenditure, which decreased from £17.4 million in FY13 to £7.4 million in FY14 and then £6.6 million in FY15. Technology costs before capitalisation decreased from £80.4 million in FY13 to £67.5 million in FY14, before increasing to £69.0 million in FY15. The reduction in FY14 was driven by a combination of headcount reductions, savings from external suppliers and a shift of some development activity to Romania and Portugal, which are lower cost locations. The increase in FY15 was driven by additional product development spend, partly offset by efficiencies resulting from the continued expansion of Betfair's near-shore technology centres in Romania and Portugal.

Technology spend for the interim periods increased from £29.3 million in H1 FY15 to £35.0 million in H1 FY16, driven predominantly by additional headcount. This was after the capitalisation of internal development expenditure, which decreased from £3.1 million in H1 FY15 to £2.9 million in H1 FY16.

Operations

Operations spend decreased from £41.9 million in FY13 to £35.1 million in FY14, before increasing to £36.4 million in FY15. Operations spend for the interim periods increased from £18.7 million in H1 FY15 to £18.9 million in H1 FY16. The reduction in FY14 was driven by savings in office costs, more than offsetting increased investment in customer service resources to support Betfair's growing customer base. The increase in H1 FY16 was driven by greater demand placed on customer services resources as a result of the growing customer base, broadly mitigated by efficiency savings, including increased use of live chat.

General and Administrative

General and administrative spend decreased from £46.0 million in FY13 to £32.2 million in FY14 and decreased further to £30.8 million in FY15. The significant reduction during the period was driven by employment savings as a result of lower headcount in this area of the business. General and administrative spend for the interim periods increased from £16.5 million in H1 FY15 to £16.9 million in H1 FY16, predominantly reflecting inflationary increases in salary costs.

3.5 Staff Costs

Staff costs are the single largest component of the Betfair Group's operating cost base at £108.4 million in FY15. Staff costs are allocated to each of the four categories of administrative expenses described above. During the period under review, staff costs reduced from £127.2 million in FY13 to £103.1 million in FY14, reflecting headcount reductions across the business, before increasing to £108.4 million in FY15.

3.6 Interest Rates

Although Betfair has no indebtedness, interest rates have had and will continue to have an effect on the Betfair Group's results of operations. Betfair receives interest earned from the investment of customer funds held on trust. As at 30 April 2015, Betfair had customer funds held on trust of £280.6 million (30 April 2014: £269.0 million; 30 April 2013: £284.1 million). Betfair earned customer funds revenue of £1.2 million in each of FY14 and FY15, compared to £1.5 million in FY13.

Betfair generates cash throughout the financial year and typically holds substantial cash on hand. As at 30 April 2015, Betfair held £105.1 million in cash and cash equivalents (30 April 2014: 209.8 million;

30 April 2013: £168.1 million). Interest from cash on hand was £1.1 million in each of FY13, FY14 and FY15.

For the interim periods, as at 31 October 2015, Betfair had customer funds held on trust of £261.9 million (31 October 2014: £267.4 million). Betfair earned customer funds revenue of £0.6 million in both H1 FY15 and H1 FY16. As at 31 October 2015 Betfair held £139.4 million in cash and cash equivalents (31 October 2014: £271.4 million). Interest from cash on hand was £0.3 million in H1 FY16 (H1 FY15: £0.7 million).

3.7 Regulatory Environment

Betfair's decision whether or not to permit customers in a given jurisdiction to access any one or more of its products and whether to engage with customers, is made on the basis of its measured and prudent approach to legal and regulatory compliance, and is based on a number of factors which include:

- the terms of Betfair's betting and gaming licences in individual jurisdictions;
- the laws and regulations of the jurisdiction including state, federal or supranational law, including EU law if applicable, and in particular the way in which such laws and regulations apply to the specific betting and gaming products and specific types of related activity, including marketing; and
- the approach to the application or enforcement of such laws and regulations by regulatory and other authorities in the jurisdiction.

Future changes in regulation may provide the Betfair Group with opportunities by providing access to new jurisdictions or new marketing channels or products in existing jurisdictions, although the Betfair Directors expect the Betfair Group to incur additional compliance costs associated with any new revenue stream. Conversely, any further prohibitive regulation would have an adverse impact on the Betfair Group's business, financial condition and results of operation by restricting the Betfair Group's local marketing activities or requiring Betfair to cease accepting bets from such jurisdictions entirely.

3.8 Exchange Rate Fluctuations

Exchange rate fluctuations have had and will continue to have an impact on the Betfair Group's reported results as revenues earned (and costs incurred) in other currencies, particularly the US dollar and Euro, are converted into pounds sterling in accordance with the Betfair Group's accounting policies. The Betfair Group has a significant proportion of its cost base denominated in these currencies which acts to mitigate the impact on profits from exchange rate fluctuations.

The Betfair Group's exposure to exchange rate fluctuations has decreased during the period under review as revenue from the UK increased as a proportion of Betfair Group revenues.

3.9 Sporting Event Timing and Cancellation

Betfair's sports revenue is strongly affected by the timing of sporting events, which drive seasonal increases in revenue, transactions, registrations and activations. This effect is particularly pronounced in even-numbered calendar years with major international football tournaments, most notably the FIFA World Cup and the UEFA European Championships. As a result, the Betfair Group's results in such years may not be directly comparable with its results in years without a major football tournament. Similarly, Betfair (excluding US) experiences significant increases in activations and actives around spring horse racing events, such as the Cheltenham racing festival each March and the Grand National each April. The latter, however, typically attracts a significant number of "casual customers" (infrequent gamblers who bet small amounts on major sporting events only).

In addition, event cancellations can have an adverse impact on Betfair's results of operations. For example, the unusually cold weather experienced in the United Kingdom in January 2013 significantly reduced expected horse racing revenue due to the abandonment of 35 UK meetings. The cancellation or postponement of a major sporting event (as a result of adverse weather or any other reason) could have a disproportionate impact on Betfair's results of operations.

3.10 Liquidity

Betfair's Betting Exchange operates by matching customers' bets on the outcome of events for which the Betfair Group has established a market. The pricing (and hence the attractiveness to customers) on Betfair's Betting Exchange is a function of the number of customers offering odds in any given market and

the volumes being offered. For the purposes of Betfair’s Betting Exchange, this dynamic is described as “liquidity”. Betfair’s Betting Exchange and its competitors are accordingly subject to substantial network effects, as increased liquidity leads to more customers and vice-versa; which means that exchanges with more liquidity tend to attract more customers, and those with less liquidity tend to lose customers to exchanges with greater liquidity. The competitive position of Betfair’s Betting Exchange to date has been significantly enhanced by these network effects.

3.11 Betfair US

As part of its strategic decision to establish a presence in the US, the Betfair Group acquired TVG in January 2009. In the state of New Jersey an online casino was launched in November 2013 and it is hoped that a betting exchange will be launched in the same state in the coming year. As a result of these businesses, together with an established, measured and prudent approach to regulatory compliance, the Betfair Group believes it is well placed to take advantage of any opportunity should the US further liberalise its online gaming regulations, which could substantially enhance Betfair’s long-term growth prospects in the US.

4. Key Components of the Betfair Group’s Income Statement

The key components of certain line items of the Betfair Group’s consolidated income statements are described below.

4.1 Revenue

Revenue is measured as the consideration received from customers and represents amounts received for services provided by the Betfair Group, as set out below.

Sports revenue represents the commission earned on Betfair’s Betting Exchange activities and the margin derived from betting activity on Betfair’s fixed odds bookmaking product. Commission and margin are recognised on the date the outcome for an event is settled. Open betting liability positions are recognised based on the best estimate of the outflow that will be required to settle the position at the balance sheet date, and losses arising from these positions are recognised in revenue. This gives rise to a derivative financial instrument and is accounted for at fair value through profit and loss.

Gaming revenue can either represent the margin derived from betting activity between customers and Betfair or, in relation to Poker and Exchange Games, the commission earned from customers.

TVG revenue is derived from US pari-mutuel betting products (Advanced Deposit Wagering and Tote products), representing a percentage of the stake and is recognised on settlement of the event.

Revenue also includes amounts received from the management and investment of customer funds.

The key performance indicators (“KPIs”)/drivers of net revenue are:

- (a) sustainable activations (new customers in sustainable markets that had a bet settled in the period and have funded their account at any point);
- (b) sustainable actives (customers in sustainable markets that had a bet settled in the period and have funded their account at any point); and
- (c) sustainable revenue mix (revenue generated in sustainable markets and as a proportion of Betfair Group revenue).

The Betfair Group’s overall results of operations have been primarily driven by these key performance indicators.

	Year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
		000s		000s	
Sustainable activations	275	404	739	861	1,043
Sustainable actives	674	854	1,456	861	1,043
Sustainable revenue as a proportion of Betfair Group revenue . .	72.4%	77.8%	81.5%	80.8%	87.1%

During FY13 Betfair's new management team announced their intention to focus on revenue from sustainable markets, defined as countries currently considered to have good regulatory visibility and where online gambling is properly regulated and taxed. As licensed revenues are generally more stable, the Betfair Group can invest with greater certainty in its products and marketing in these markets. Consequently existing resources were reallocated to concentrate on sustainable markets.

In February 2013 Betfair launched a new Sportsbook in order to address recreational customers not already served by Betfair's Betting Exchange. Products such as Cash Out and Price Rush were introduced, which allowed Sportsbook customers to enjoy some of the differentiated benefits of Betfair's Betting Exchange whilst using a Sportsbook interface with which they were familiar. Marketing and brand campaigns were repositioned to emphasise ease of use and the fact that Betfair is a fun and different place to bet. The aim was to acquire primarily recreational customers on the Sportsbook, after which they could be introduced to other products such as Betfair's Betting Exchange or Gaming products.

As a result of the above strategy, sustainable activations increased from 275,000 in FY13 to 404,000 in FY14, an increase of 129,000, or 46.9%, and increased by a further 335,000 or 82.9% to 739,000 in FY15.

Sustainable actives also increased from 674,000 in FY13 to 854,000 in FY14, an increase of 180,000 or 26.7%, followed by a further increase of 602,000 or 70.5% in FY15. Sustainable actives for the interim periods increased by 182,000, or 21.1%, from 861,000 in H1 FY15 to 1,043,000 in H1 FY16. The significant growth in actives and activations during FY15 was further aided by the 2014 World Cup, which offered an excellent opportunity to acquire new customers.

Sustainable revenues increased from £280.0 million in FY13 to £306.1 million in FY14, an increase of £26.1 million, or 9.3%, and increased by a further £82.4 million or 26.9% to £388.5 million in FY15. As a proportion of Betfair Group, revenue from sustainable markets increased from 72.4% in FY13 to 77.8% in FY14, and subsequently 81.5% in FY15.

Sustainable revenues for the interim periods increased from £192.0 million in H1 FY15 to £238.9 million in H1 FY16, an increase of £46.9 million, or 24.4%. As a proportion of Betfair Group, revenue from sustainable markets increased from 80.8% in H1 FY15 to 87.1% in H1 FY16.

4.2 Costs of sales

Cost of sales principally comprises betting and gaming taxes, customer payment transaction fees, sporting levies and other data rights charges.

4.3 Operating expenses

Operating expenses consist of employment, marketing and general and administrative costs.

Employment expenses include salaries, bonuses, social security costs, pension costs and share based payments costs in connection with incentive schemes operated by the Betfair Group.

Marketing expenses including advertising, digital marketing and sponsorship costs, as well as content costs associated with providing video and audio streaming to customers.

General and administrative expenses include IT costs, office expenses such as utilities, rent and rates, legal and professional fees and travel and entertainment expenses.

4.4 Net Finance Income and Expense

Finance income comprises interest earned on corporate funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise changes in the fair value of financial assets at fair value through profit or loss and unwinding of time-value discounts in relation to deferred and contingent consideration.

Foreign currency gains and losses are reported on a net basis, either in finance income or finance expense as appropriate.

4.5 Share of profit/(loss) of equity accounted investments

The share of profit/(loss) of equity accounted investments relates to Betfair Group's 50% share in its joint venture, Betfair Australasia Pty Limited ("Betfair Australia"), prior to the disposal of this investment in August 2014, when the Betfair Group sold its 50% stake to Crown Resorts Limited for £5.5 million, which represented a gain on disposal of £6.4 million.

4.6 Taxation

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity (through other reserves), in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

In determining the current and deferred tax the Betfair Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Betfair Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Betfair Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5. Results of Operations

The following table sets out certain income statement items for the relevant periods:

	For the year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Continuing operations					
Revenue	387.0	393.6	476.5	237.6	274.4
Cost of sales	(49.8)	(50.9)	(90.6)	(37.2)	(60.4)
Gross profit	337.2	342.7	385.9	200.4	214.0
Administrative expenses	(406.2)	(281.1)	(291.6)	(140.5)	(146.8)
Group operating profit/(loss)	(69.0)	61.6	94.3	59.9	67.2
<i>Analysed as:</i>					
Underlying EBITDA⁽¹⁾ (excluding separately disclosed items)	73.3	91.1	120.2	73.9	80.5
Separately disclosed items—restructuring and other	(22.1)	—	—	—	—
EBITDA⁽¹⁾	51.2	91.1	120.2	73.9	80.5
Separately disclosed items—impairment of goodwill and other intangible assets	(82.4)	—	—	—	—
Depreciation and amortisation	(37.8)	(29.5)	(25.9)	(14.0)	(13.3)
Group operating profit/(loss)	(69.0)	61.6	94.3	59.9	67.2
Finance income	1.4	1.1	1.1	0.9	0.3
Finance expense	—	(0.4)	(0.7)	—	(1.2)
Net finance income/(expense)	1.4	0.7	0.4	0.9	(0.9)
Profit on disposal of available-for-sale financial asset	16.8	—	—	—	—
Profit on disposal of joint venture	—	—	6.4	6.4	—
Share of profit/(loss) of equity accounted investments	1.4	(1.2)	0.1	0.1	—
Profit/(loss) before tax	(49.4)	61.1	101.2	67.3	66.3
Taxation	4.2	(10.1)	(14.8)	(9.7)	(10.3)

	For the year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Profit/(loss) for the year/period from continuing operations	(45.2)	51.0	86.4	57.6	56.0
Loss for the year/period from discontinued operations, net of tax	(21.1)	—	—	—	—
Profit/(loss) for the year/period	(66.3)	51.0	86.4	57.6	56.0
Attributable to:					
Equity holders of Betfair	(66.3)	51.0	86.4	57.6	56.0
Non-controlling interest	—	—	—	—	—
Profit/(loss) for the year/period	(66.3)	51.0	86.4	57.6	56.0
Other comprehensive income/(expense):					
Foreign exchange differences arising on consolidation	1.8	(4.0)	1.4	0.2	0.1
Reclassification to profit or loss	—	—	0.1	(0.8)	—
Other comprehensive income/(expense) for the year/period, net of income tax	1.8	(4.0)	1.5	(0.6)	0.1
Total comprehensive income/(expense) for the year/period	(64.5)	47.0	87.9	57.0	56.1
Attributable to:					
Equity holders of Betfair	(64.5)	47.0	87.9	57.0	56.1
Non-controlling interest	—	—	—	—	—

(1) EBITDA is defined as profit for the year/period before net finance income/(expense), tax, depreciation and amortisation. It excludes amounts in respect of the Betfair Group's equity accounted investments and is considered by the Betfair Directors to be a key measure of its financial performance. Underlying EBITDA is defined as EBITDA before separately disclosed items.

5.1 Revenue

During the period under review, Betfair's total revenue increased from £387.0 million in FY13 to £393.6 million in FY14, an increase of £6.6 million, or 1.7%, and a further £82.9 million, or 21.1% to £476.5 million in FY15. Total revenue for the interim periods increased from £237.6 million in H1 FY15 to £274.4 million in H1 FY16, an increase of £36.8m, or 15.5%.

The increase was largely driven by the increase in the number of actives, with new customers joining primarily through the Sportsbook which was launched in February 2013. These customers were then subsequently introduced to our other products such as Gaming. The increase was also aided by growth in Betfair US, largely driven by TVG.

The following table shows Betfair's revenue, in total and as a percentage of total Group revenue, for each of its operating segments for the years ended 30 April 2013, 2014 and 2015 and six months ended 31 October 2014 and 2015:

	For the year ended 30 April						Six months ended 31 October			
	2013		2014		2015		2014		2015	
	£ millions other than percentages		£ millions other than percentages		£ millions other than percentages		£ millions other than percentages		£ millions other than percentages	
Revenue										
Sports	271.6	70.2%	280.5	71.3%	328.0	68.8%	166.6	70.1%	184.8	67.4%
Gaming	75.9	19.6%	66.2	16.8%	88.5	18.6%	42.0	17.7%	49.7	18.1%
Betfair US	38.0	9.8%	45.7	11.6%	58.8	12.3%	28.4	12.0%	39.3	14.3%
Customer Funds	1.5	0.4%	1.2	0.3%	1.2	0.3%	0.6	0.2%	0.6	0.2%
Group Total	387.0	100.0%	393.6	100.0%	476.5	100.0%	237.6	100.0%	274.4	100.0%

Sports: Revenue in Sports, the largest of Betfair's operating segments, increased from £271.6 million in FY13 to £280.5 million in FY14, an increase of £8.9 million, or 3.3%, and increased by a further £47.5 million, or 16.9%, to £328.0 million in FY15. Revenue in Sports for the interim periods increased from £166.6 million in H1 FY15 to £184.8 million in H1 FY16, an increase of £18.2 million, or 10.9%. These increases were largely driven by the significant growth in customer acquisition, primarily through

Betfair's Sportsbook. FY15 performance was also boosted by the 2014 World Cup, which generated revenue of £15.9 million.

Gaming: Revenue in the Gaming operating segment decreased from £75.9 million in FY13 to £66.2 million in FY14, a reduction of £9.7 million, or 12.8%, but increased by £22.3 million, or 33.7%, to £88.5 million in FY15. Revenue for the interim periods increased from £42.0 million in H1 FY15 to £49.7 million in H1 FY16, an increase of £7.7 million, or 18.3%. The decline in FY14 was partly driven by lower revenue from other markets following the decision to focus on sustainable jurisdictions, in addition to the continued decline of poker. The increases in FY15 and H1 FY16 were largely driven by the significant increase in the number of Sports customers and the successful cross-selling of Gaming products to these customers.

Betfair US: Revenue in Betfair's US business increased from £38.0 million in FY13 to £45.7 million in FY14, an increase of £7.7 million, or 20.3%, and increased by a further £13.1 million, or 28.7%, to £58.8 million in FY15. The strong performance was predominantly driven by TVG where revenue in constant currency increased by 19% in FY14 and 20% in FY15. Growth was also boosted by our online casino in New Jersey which launched in November 2013, generating revenues of £1.2 million in FY14 and £5.3 million in FY15. Revenue for the interim periods increased from £28.4 million in H1 FY15 to £39.3 million in H1 FY16, an increase of £10.9 million, or 38.4%. Growth in TVG was helped by the acquisition of HRTV in February 2015, while revenue from the online casino also doubled to £3.8 million.

The following table shows Betfair's revenue, in total and as a percentage of total Betfair Group revenue, by sustainable and other markets for the years ended 30 April 2013, 2014 and 2015 and six months ended 31 October 2014 and 2015:

	For the year ended 30 April						Six months ended 31 October				
	2013		2014		2015		2014		2015		
	£ millions, except percentages										
Revenue											
Sustainable markets ⁽¹⁾ . . .	280.0	72.4%	306.1	77.8%	388.5	81.5%	192.0	80.8%	238.9	87.1%	
Other markets	107.0	27.6%	87.5	22.2%	88.0	18.5%	45.6	19.2%	35.5	12.9%	
Group total	387.0	100.0%	393.6	100.0%	476.5	100.0%	237.6	100.0%	274.4	100.0%	

(1) Sustainable markets are regions that we currently consider to have good regulatory visibility. In FY13 and FY14 these consisted of the UK, the US, Ireland, Denmark, Gibraltar and Malta. In FY15 Australia, Bulgaria, Italy and Spain were also added to sustainable markets. In H1 FY16 Romania was also added to sustainable markets.

Sustainable markets: Revenue from sustainable markets increased from £280.0 million in FY13 to £306.1 million in FY14, an increase of £26.1 million, or 9.3%, and increased by a further £82.4 million, or 26.9%, to £388.5 million in FY15. Revenue from sustainable markets in the interim periods increased from £192.0 million in H1 FY15 to £238.9 million in H1 FY16, an increase of £46.9 million, or 24.4%. This increase was driven primarily by the significant growth of customers in sustainable markets, primarily through Betfair's Sportsbook, and the subsequent cross-selling of these customers to other products such as Gaming.

Other markets: Revenue from other markets decreased from £107.0 million in FY13 to £87.5 million in FY14, a reduction of £19.5 million, or 18.2%, but increased by £0.5 million, or 0.6%, to £88.0 million in FY15. Revenue from other markets in the interim periods decreased from £45.6 million in H1 FY15 to £35.5 million in H1 FY16, a decrease of £10.1 million, or 22.1%. The decline in FY14 was driven by regulatory changes in Greece, Germany, Cyprus and Spain, as well as the decision to focus investment on sustainable markets. The increase in FY15 was due to there being no major market closures in the year and World Cup revenue obscuring an underlying decline due to the ongoing focus on sustainable markets. The decrease in H1 FY16 was partly due to the lack of a major international football tournament, alongside regulatory changes leading to a suspension of operations in Portugal.

5.2 Expenses

Cost of sales increased from £49.8 million in FY13 to £50.9 million in FY14, an increase of £1.1 million, or 2.2%, and increased by a further £39.7 million, or 78.0%, to £90.6 million in FY15. Cost of sales for the interim periods increased from £37.2 million in H1 FY15 to £60.4 million in H1 FY16, an increase of £23.2 million, or 62.4%. The significant increases in FY15 and H1 FY16 were driven by strong revenue

growth and additional gaming taxes, including UK point of consumption tax which was introduced in December 2014.

The following tables show Betfair's administrative expenses by category and as a percentage of total revenue, for FY13, FY14 and FY15 and the six months ended 31 October 2014 and 2015:

	For the year ended 30 April					
	2013		2014		2015	
	£ millions, except percentages					
Administrative expenses						
Sales and marketing	113.0	29.2%	124.2	31.6%	136.1	28.6%
Technology	63.0	16.3%	60.1	15.3%	62.4	13.1%
Operations	41.9	10.8%	35.1	8.9%	36.4	7.6%
G&A	46.0	11.9%	32.2	8.2%	30.8	6.5%
Operating expenses	263.9	68.2%	251.6	63.9%	265.7	55.8%
Separately disclosed items—restructuring and other . . .	22.1	5.7%	—	—	—	—
Separately disclosed items—impairment	82.4	21.3%	—	—	—	—
Depreciation and amortisation	37.8	9.8%	29.5	7.5%	25.9	5.4%
Total administrative expenses	406.2	105.0%	281.1	71.4%	291.6	61.2%
	Six months ended 31 October					
	2014		2015			
Administrative expenses						
Sales and marketing	62.0	26.1%	62.7	22.8%		
Technology	29.3	12.3%	35.0	12.8%		
Operations	18.7	7.9%	18.9	6.9%		
G&A	16.5	6.9%	16.9	6.2%		
Operating expenses	126.5	53.2%	133.5	48.7%		
Depreciation and amortisation	14.0	5.9%	13.3	4.8%		
Total administrative expenses	140.5	59.1%	146.8	53.5%		

Administrative expenses decreased from £406.2 million in FY13 to £281.1 million in FY14, a decrease of £125.1 million, or 30.8%, but then increased by £10.5 million, or 3.7%, to £291.6 million in FY15. Administrative expenses for the interim periods increased from £140.5 million in H1 FY15 to £146.8 million in H1 FY16, an increase of £6.3m, or 4.5%. The reduction in FY14 was predominantly due to impairment and restructuring costs in FY13, along with the cost savings that were achieved mainly as a result of lower headcount. The increase in FY15 was mainly due to additional marketing spend, largely driven by FIFA World Cup investment in the first half of the year. Technology and Operations costs also increased in FY15 and H1 FY16 as a result of additional investment in product development and customer services resources; however G&A spend was lower in FY15 due to reduced headcount in this area. Depreciation and amortisation costs decreased in FY15 and H1 FY16 mainly due to assets becoming fully depreciated.

For the year ended 30 April 2013, following the announcement of the Betfair Group's strategic priorities during the first six months of the financial year, management undertook a review of the carrying value of all intangible assets, including goodwill and capitalised development expenditure. As a result of this review, an impairment charge of £82.4 million was recorded in the income statement. Management also undertook a review of the cost base and identified a number of areas where the business could become leaner. Restructuring costs amounted to £19.4 million, representing redundancy and other similar costs to deliver targeted cost savings. A further £2.7 million was also recognised for professional services fees resulting from the rejected takeover approach by CVC and partners.

5.3 EBITDA

EBITDA increased from £51.2 million in FY13 to £91.1 million in FY14, an increase of £39.9 million, or 77.9%, and increased by a further £29.1 million, or 31.9% to £120.2 million in FY15. EBITDA in the interim periods increased from £73.9 million in H1 FY15 to £80.5m in H1 FY16, an increase of

£6.6 million, or 8.9%. The increase in FY14 was partly due to separately disclosed items (restructuring and other) in FY13, along with the cost savings that were achieved mainly as a result of lower headcount. The increases in FY15 and H1 FY16 were predominantly driven by operating leverage, as strong revenue growth was only partly offset by higher costs of sales including UK point of consumption tax, as well as additional marketing investment.

The following table shows Betfair's underlying EBITDA by segment for the years ended 30 April 2013, 2014 and 2015 and six months ended 31 October 2014 and 2015:

	For the year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Betfair excl. US	70.4	89.1	115.4	70.4	72.2
Betfair US	2.9	2.0	4.8	3.5	8.3
Underlying EBITDA⁽¹⁾	73.3	91.1	120.2	73.9	80.5
Separately disclosed items—restructuring and other	(22.1)	—	—	—	—
EBITDA⁽¹⁾	51.2	91.1	120.2	73.9	80.5

(1) EBITDA is defined as profit for the year/period before net finance income/(expense), tax, depreciation and amortisation. It excludes amounts in respect of the Betfair Group's equity accounted investments and is considered by the Directors to be a key measure of its financial performance. Underlying EBITDA is defined as EBITDA before separately disclosed items.

Underlying EBITDA for Betfair (excluding US) increased from £70.4 million in FY13 to £89.1 million in FY14, an increase of £18.7 million, or 26.6%, and increased by a further £26.3 million, or 29.5%, to £115.4 million in FY15. Underlying EBITDA for Betfair (excluding US) for the interim periods increased from £70.4 million in H1 FY15 to £72.2 million in H1 FY16, an increase of £1.8 million, or 2.6%. The increase in FY14 was driven primarily by cost savings, following headcount reductions across most areas of the business and savings from external suppliers. The increases in FY15 and H1 FY16 were driven predominantly by operating leverage, with strong revenue growth only partly offset by higher costs of sales including UK point of consumption tax, as well as additional marketing investment.

Underlying EBITDA for Betfair US decreased from £2.9 million in FY13 to £2.0 million in FY14, a decrease of £0.9 million or 31.0%, but increased by £2.8 million, or 140.0%, to £4.8 million in FY15. Underlying EBITDA for Betfair US for the interim periods increased from £3.5 million in H1 FY15 to £8.3 million in H1 FY16, an increase of £4.8 million, or 137.1%. The decrease in FY14 was due to start-up costs in our online casino in New Jersey, partly offset by growth in TVG. The increase in FY15 was driven by reduced losses in the online casino, along with strong revenue growth in TVG. The increase in H1 FY16 was driven by further growth in TVG, aided by the acquisition of HRTV, alongside reduced losses from the online casino.

5.4 Net Finance Income/(Expense)

Net finance income decreased from £1.4 million in FY13 to £0.7 million in FY14, a decrease of £0.7 million, or 50.0%, and decreased by a further £0.3 million, or 42.9%, to £0.4 million in FY15. Net finance income for the interim periods decreased from £0.9 million in H1 FY15 to an expense of £0.9 million in H1 FY16, a decrease of £1.8 million. The decrease in FY14 was due to a net foreign exchange loss of £0.4 million, compared to a gain of £0.3 million in FY13. The decreases in FY15 and H1 FY16 were predominantly due to charges of £0.4 million and £1.1 million respectively, relating to deferred and contingent consideration for the acquisition of HRTV.

5.5 Profit on Disposal of Available-For-Sale Financial Asset

In the year ended 30 April 2013 the Betfair Group sold its shares held in Kabam for \$30.0 million (£18.8 million), which represented a profit on disposal of £16.8 million.

5.6 Betfair Australia

In the year ended 30 April 2015 the Betfair Group sold its 50% stake in Betfair Australia to the joint venture partner Crown Resorts Limited for £5.5 million, which represented a gain on disposal of £6.4 million. A shareholder loan to Betfair Australia of £6.5 million was also repaid at the same time.

Prior to this, the Betfair Group's share of profit/loss from equity accounted investments decreased from a £1.4 million profit in FY13 to a £1.2 million loss in FY14, driven by a combination of increased marketing spend and higher variable costs reflecting additional race fields fees. The share of operating profit in FY15 was £0.1 million, relating to the period up until the disposal of the business. Similarly, in the interim periods, the share of operating profit decreased from £0.1m in H1 FY15 to nil in H1 FY16.

5.7 Taxation

The Betfair Group's total corporate tax expense increased from a credit of £4.2 million in FY13 to a charge of £10.1 million in FY14, an increase of £14.3 million, and increased by a further £4.7 million, or 46.5%, to £14.8 million in FY15. The Betfair Group's effective underlying tax rate was 16.4% in FY13, 16.5% in FY14 and 15.6% in FY15.

The Betfair Group's total corporate tax expense for the interim periods increased from £9.7 million in H1 FY15 to £10.3 million in H1 FY16, an increase of £0.6 million, or 6.2%. The Betfair Group's effective underlying tax rate was 15.9% in H1 FY15 and 15.5% in H1 FY16.

6. Liquidity and Capital Resources

The Betfair Group's principal source of liquidity for the period under review has been its cash flows from operating activities.

6.1 Cash Flows

The following table sets out the Betfair Group's cash flows for the years ended 30 April 2013, 30 April 2014 and 30 April 2015 and the six months ended 31 October 2014 and 2015.

	For the year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Cash flows from operating activities					
Profit/(loss) for the year/period	(66.3)	51.0	86.4	57.6	56.0
Adjustments for:					
Depreciation and amortization	40.1	29.5	25.9	14.0	13.3
Equity-settled share-based payments and associated costs	9.3	7.3	10.4	5.7	6.9
Profit on disposal of available-for-sale financial asset	(16.8)	—	—	—	—
Loss on disposal of subsidiary undertakings	5.3	—	—	—	—
Impairment loss in respect of goodwill and other assets	90.1	—	—	—	—
Profit on disposal of joint venture	—	—	(6.4)	(6.4)	—
Share of (profit)/loss of equity accounted investments	(1.4)	1.2	(0.1)	(0.1)	—
Net finance (income)/expense	(1.5)	(0.7)	(0.4)	(0.9)	0.9
Tax	(3.8)	10.1	14.8	9.7	10.3
Increase in trade and other receivables	(1.1)	(4.4)	(0.7)	(1.4)	(5.8)
Increase/(decrease) in trade and other payables . .	20.7	2.4	13.6	(1.9)	(6.0)
Increase/(decrease) in provisions	13.2	(11.3)	3.6	(0.2)	(1.4)
Cash generated from operations	87.8	85.1	147.1	76.1	74.2
Tax paid	(4.7)	(5.6)	(8.0)	(2.2)	(5.9)
Net cash flows generated from operating activities	83.1	79.5	139.1	73.9	68.3

	For the year ended 30 April			Six months ended 31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Cash flows from investing activities					
Acquisition of business combination, net of cash received	—	—	(16.6)	—	—
Acquisition of property, plant and equipment	(7.2)	(8.5)	(6.3)	(2.3)	(5.3)
Acquisition of other intangible assets	(12.0)	(6.5)	(6.9)	(2.0)	(2.3)
Capitalised internal development expenditure	(18.9)	(7.4)	(6.6)	(3.1)	(2.9)
Payment of deferred consideration	—	—	—	—	(0.7)
Disposal of discontinued operation, net of cash disposed	(24.5)	—	—	—	—
Disposal of available-for-sale financial assets	18.8	—	—	—	—
Cash received on disposal of joint venture	—	—	5.5	5.5	—
Cash received from repayment of joint venture loan	—	—	6.5	6.5	—
Finance income received	0.9	0.9	1.1	0.7	0.3
Net cash flows used in investing activities	(42.9)	(21.5)	(23.3)	5.3	(10.9)
Cash flows from financing activities					
Proceeds from the issue of share capital	7.4	2.5	5.6	1.2	0.2
Dividends paid	(11.2)	(15.6)	(24.1)	(14.6)	(23.1)
Return of capital to shareholders, including fees and duty	—	—	(200.7)	—	—
Purchase of own shares by the Employment Benefit Trust	(3.2)	(2.9)	(5.2)	(5.2)	—
Sale of own shares by the Employment Benefit Trust	—	1.7	4.4	1.8	—
Net cash flows used in financing activities	(7.0)	(14.3)	(220.0)	(16.8)	(22.9)
Net (decrease)/increase in cash and cash equivalents	33.2	43.7	(104.2)	62.4	34.5
Cash and cash equivalents at the beginning of the year/period	135.4	168.1	209.8	209.8	105.1
Effect of exchange rate fluctuations on cash held . .	(0.5)	(2.0)	(0.5)	(0.8)	(0.2)
Cash and cash equivalents at year/period end . . .	168.1	209.8	105.1	271.4	139.4

Net cash flows generated from operating activities

2014 compared to 2013

Total net cash flows generated from operating activities decreased from £83.1 million at 30 April 2013 to £79.5 million at 30 April 2014, a decrease of £3.6 million.

The decrease in the year ended 30 April 2014 was primarily as a result of working capital movements, offset by the profit generated from operations. Working capital movements resulted in a cash outflow of £13.3 million in FY14 (i.e. a cash outflow from trade and other receivables of £4.4 million, a cash inflow from trade and other payables of £2.4 million and a cash outflow from provisions of £11.3 million). This is compared to a cash inflow of £32.8 million in 2013 (i.e. a cash outflow from trade and other receivables of £1.1 million, a cash inflow from trade and other payables of £20.7 million and a cash inflow from provisions of £13.2 million), resulting in a net reduction in cash flow as a result of working capital movements of £46.1 million. The movement in provisions of £13.2 million, which was included in the year ended 30 April 2013, was then largely utilised in the year ended 30 April 2014. The movements in trade and other payables were driven by the disposal of LMAX Limited and the removal of the related working capital from the Betfair Group consolidated numbers.

This working capital movement was offset by the increased profitability of the Group. After adding back non-cash profits and losses, cash generated from profits increased from £55.0 million (i.e. the loss generated of £66.3 million after adding back non cash movements of depreciation and amortisation, equity-settled share-based payments, profit on disposal of available-for-sale financial asset, loss on disposal

of subsidiary undertaking, impairments, share of profit of equity accounted investments, net finance income and tax) to £98.4 million (i.e. profit generated of £51.0 million after adding back non cash movements of depreciation and amortisation, equity-settled share-based payments, share of loss of equity accounted investments, net finance income and tax). This resulted in an increase in cash flow of £43.4 million reflecting the increased profitability and performance of the Betfair Group in the year ended 30 April 2014.

Additional taxes were also paid in the year on these profits, increasing by £0.9 million from £4.7 million to £5.6 million.

2015 compared to 2014

Total net cash flows from operating activities increased from £79.5 million at 30 April 2014 to £139.1 million at 30 April 2015, an increase of £59.6 million.

The increase was primarily driven by improved performance which lead to increased profitability in the year. After adding back non-cash profits and losses, the cash generated from profits rose from £98.4 million (i.e. profit generated of £51.0 million plus non cash movements of depreciation and amortisation, equity-settled share-based payments, share of loss of equity accounted investments, net finance income and tax) to £130.6 million (i.e. profit generated of £86.4 million plus non cash movements of depreciation and amortisation, equity-settled share-based payments, profit on disposal of joint venture, share of profit of equity accounted investments, net finance income and tax). This resulted in a £32.2 million increase in cash flow for the period.

In addition, working capital movements resulted in a cash inflow of £16.5 million in FY15 (i.e. cash outflow from trade and other receivables of £0.7 million, cash inflow from trade and other payables of £13.6 million and cash inflow from provisions of £3.6 million) compared to a cash outflow of £13.3 million in FY14 (i.e. cash outflow from trade and other receivables of £4.4 million, cash inflow from trade and other payables of £2.4 million and cash outflow from provisions of £11.3 million), leading to an increase in cash flow from working capital movements of £29.8 million.

Additional taxes were also paid in the year on these profits, increasing by £2.4 million from £5.6 million to £8.0 million.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total net cash flows generated from operating activities decreased from £73.9 million for the six month period ended 31 October 2014 to £68.3 million for the six months ended 31 October 2015, a reduction of £5.6 million.

The reduction was largely as a result of increased corporate tax payments on higher FY15 profits, with £5.9 million paid in the six months ended 31 October 2015 versus £2.2 million in the six months ended 31 October 2014, an increase of £3.7 million.

Working capital movements resulted in a cash outflow of £13.2 million in the six months ended 31 October 2015 (i.e. cash outflow from trade and other receivables of £5.8 million, cash outflow from trade and other payables of £6.0 million and cash outflow from provisions of £1.4 million), compared to a cash outflow of £3.5 million in the six months ended 31 October 2014 (i.e. cash outflow from trade and other receivables of £1.4 million, cash outflow from trade and other payables of £1.9 million and cash outflow from provisions of £0.2 million), leading to a net increase in cash outflow as a result of working capital movements of £9.7 million.

These outflows were partly offset by improved performance which lead to increased profitability in the year. After adding back non-cash profits and losses, the cash generated from profits rose from £79.6 million (i.e. profit generated of £57.6 million plus non cash movements of depreciation and amortisation, equity-settled share-based payments, share of profit of equity accounted investments, profit on disposal of joint venture, net finance expense and tax) to £87.4 million (i.e. profit generated of £56.0 million plus non cash movements of depreciation and amortisation, equity-settled share-based payments, net finance income and tax). This resulted in a £7.8 million increase in cash flow.

Cash flows from investing activities

2014 compared to 2013

Total net cash used in investing activities decreased from £42.9 million at 30 April 2013 to £21.5 million at 30 April 2014, a decrease of £21.4 million.

In the year ended 30 April 2013, the Betfair Group incurred cashflows from one off items, being the discontinuation and subsequent disposal of LMAX Limited, net of cash (£24.5 million cash outflow) and the disposal of an available-for-sale financial asset, Kabam (£18.8 million cash inflow). Both of these were non-recurring items and resulted in a net cash outflow of £5.7 million.

Excluding the above one-off items, capitalised internal development expenditure reduced by £11.5 million from £18.9 million in FY13 to £7.4 million in FY14, primarily due to a higher proportion of internal development costs being expensed. Acquisitions of other intangible assets also fell in FY14, reducing by £5.5 million from £12.0 million in FY13 to £6.5 million in FY14 mainly due to the one-off acquisition of the Blue Square customer database for £5.3 million in FY13. Investments in property, plant and equipment partly offset this reduction, increasing by £1.3 million from £7.2 million in FY13 to £8.5 million in FY14.

2015 compared to 2014

Total net cash used in investing activities increased from £21.5 million at 30 April 2014 to £23.3 million at 30 April 2015, an increase of £1.8 million.

In the year ended 30 April 2015 the Betfair Group again incurred one-off items, being the cash received on disposal of the Australian joint venture (£12.0 million cash inflow as a result of net proceeds and the repayment of a loan) and the acquisition of HRTV (£16.6 million cash initially paid on completion).

Capitalised internal development expenditure reduced by £0.8 million from £7.4 million in FY14 to £6.6 million in FY15, primarily due to a higher proportion of internal development costs being expensed. Acquisitions of property, plant and equipment also fell in FY15, reducing by £2.2 million from £8.5 million in FY14 to £6.3 million in FY15. Investments in other intangible assets partly offset this reduction, increasing by £0.4 million from £6.5 million in FY14 to £6.9 million in FY15. The majority of the acquisitions in both years related to external development expenditure relating to the Betfair Group's sports and gaming products. Finance income increased by £0.2 million from £0.9 million in FY14 to £1.1 million in FY15.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total net cash flows relating to investing activities moved from a cash inflow of £5.3 million for the six month period ended 31 October 2014 to a cash outflow of £10.9 million for the six months ended 31 October 2015, a movement of £16.2 million.

The reduction was largely as a result of a one-off item, being the cash received on disposal of the Australian joint venture (£12.0 million cash inflow) in the six months ended 31 October 2014. Excluding this, the Betfair Group has increased cash used in investing activities, investing an additional £3.1 million in capital and development expenditure driven by additional property, plant and equipment acquisitions, along with paying £0.7 million of deferred consideration relating to the HRTV acquisition which completed in February 2015. Finance income received decreased by £0.4m from £0.7 million in the six months ended 31 October 2014 to £0.3 million in the six months ended 31 October 2015 due to the reduced cash balances held following the return of £200.7 million to shareholders in January 2015.

Cash flows from financing activities

2014 compared to 2013

Total net cash used in financing activities increased from £7.0 million at 30 April 2013 to £14.3 million at 30 April 2014, an increase of £7.3 million.

This was driven by an increase in dividends paid of £4.4 million, from £11.2 million in FY13 to £15.6 million in FY14. A reduction in cash generated from proceeds from the issue of share capital, falling by £4.9 million from £7.4 million to £2.5 million also contributed to this net cash outflow. The increase in dividends reflected increased profitability of the business and continued strong cash flow generated. Income from the sale of own shares by the EBT partly offset this net cash outflow, with the group receiving

£1.7 million in FY14 compared to nil in FY13. The Group also purchased less shares into the EBT in FY14, reducing spend by £0.3 million from £3.2 million in FY13 to £2.9 million in FY14.

2015 compared to 2014

Total net cash used in financing activities increased from £14.3 million as at 30 April 2014 to £220.0 million at 30 April 2015, an increase of £205.7 million.

The increase was primarily due to a return of capital to shareholders of £200.7 million (including fees and duty). Dividends paid also increased by £8.5 million from £15.6 million in FY14 to £24.1 million in FY15, partly offset by an increase of £3.1 million in the proceeds generated from the issue of share capital from £2.5 million in FY14 to £5.6 million in FY15 due to the exercise of employee share options. The increase in dividends again reflected increased profitability of the business. Income from the sale of own shares by the EBT partly offset this net cash outflow, with the group receiving £4.4 million in FY15 compared to £1.7 million in FY14, an increase of £2.7 million. The Group however also purchased more shares into the EBT, increasing the amount purchased by £2.3 million from £2.9 million in FY14 to £5.2 million in FY15.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total net cash used in financing activities increased from £16.8 million for the six months ended 31 October 2014 to £22.9 million for the six months ended 31 October 2015, an increase of £6.1 million.

The increase was largely as a result of increased dividends paid in the period, up by £8.5 million from £14.6 million in the six months ended 31 October 2014 to £23.1 million in the six months ended 31 October 2015. This was driven by continued profitability, continued strong cash flow and stated dividend policy of targeting a pay-out ratio of approximately 50% in the medium term (up from 40% previously). This was partly offset by reduced proceeds from the issue of share capital, reducing by £1.0 million from £1.2 million in the six months ended 31 October 2014 to £0.2 million in the six months ended 31 October 2015, and a reduction in net cash used by the EBT own share transactions, where no shares were purchased in the six months ended 31 October 2015 compared to £5.2 million in the six months ended 31 October 2014. The Group however sold no shares from the EBT in the six months ended 31 October 2015, compared to £1.8 million received from the sale of shares from the EBT in the six months ended 31 October 2014.

6.2 Balance Sheet

The following table sets out the Betfair Group's balance sheets as at 30 April 2013, 30 April 2014 and 30 April 2015 and as at 31 October 2014 and 2015:

	30 April			31 October	
	2013	2014	2015	2014	2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Assets					
Non-current assets					
Property, plant and equipment	20.6	16.7	14.8	14.0	18.2
Goodwill and other intangible assets	54.6	49.3	83.2	46.1	78.7
Investments	7.9	5.5	0.1	0.1	0.1
Available-for-sale financial assets	1.3	1.3	1.3	1.3	1.3
Deferred tax assets	5.1	3.9	4.2	5.0	9.2
	89.5	76.7	103.6	66.5	107.5
Current assets					
Trade and other receivables	18.7	23.0	23.3	24.2	28.9
Cash and cash equivalents	168.1	209.8	105.1	271.4	139.4
	186.8	232.8	128.4	295.6	168.3
Total assets	276.3	309.5	232.0	362.1	275.8
Liabilities					
Current liabilities					
Trade and other payables	109.6	111.8	128.1	110.9	124.2
Tax payable	21.5	24.4	29.5	32.9	32.3
Provisions	11.6	1.2	5.1	1.1	4.1
	142.7	137.4	162.7	144.9	160.6
Non-current liabilities					
Trade and other payables	—	—	19.5	—	20.0
Provisions	1.6	0.7	0.4	0.5	—
Total liabilities	144.3	138.1	182.6	145.4	180.6
Net assets	132.0	171.4	49.4	216.7	95.2
Equity					
Share capital	0.1	0.1	0.1	0.1	0.1
Share premium	19.4	21.9	5.3	0.9	5.5
Other reserves	(7.6)	(11.4)	(9.0)	(11.8)	(2.6)
Retained earnings	120.1	160.8	53.0	227.5	92.2
Equity attributable to equity holders of the Company	132.0	171.4	49.4	216.7	95.2
Non-controlling interest	—	—	—	—	—
Total equity	132.0	171.4	49.4	216.7	95.2

Non-current assets

2014 compared to 2013

Total non-current assets decreased from £89.5 million at 30 April 2013 to £76.7 million at 30 April 2014, a decrease of £12.8 million.

Property, plant and equipment decreased from £20.6 million to £16.7 million, a decrease of £3.9 million with the depreciation of assets of £12.1 million more than offsetting additions in the period of £8.5 million. The disposal of assets and the foreign translation of non-sterling assets also contributed a net reduction of £0.3 million.

Goodwill and other intangible assets decreased from £54.6 million to £49.3 million, a decrease of £5.3 million with capitalised development expenditure and other intangible purchases of £13.9 million

being more than offset by amortisation of £17.4 million in the period. Foreign exchange translation of non-sterling assets also contributed a net reduction of £1.8 million.

Other non-current assets decreased from £14.3 million to £10.7 million, a decrease of £3.6 million. This was driven by a reduction in the value of investments of £2.4 million due to the impact of foreign exchange translation and share of joint venture losses made, in addition to a decrease in deferred tax assets held of £1.2 million.

2015 compared to 2014

Total non-current assets increased from £76.7 million at 30 April 2014 to £103.6 million at 30 April 2015, an increase of £26.9 million.

Property, plant and equipment decreased from £16.7 million to £14.8 million, a decrease of £1.9 million with the depreciation of assets of £8.2 million more than offsetting additions in the period of £6.3 million.

Goodwill and other intangible assets increased from £49.3 million to £83.2 million, an increase of £33.9 million. Additions in the period of £49.5 million were mainly due to the acquisition of HRTV, with £36.0 million of goodwill and other intangible assets acquired. Capitalised development expenditure and other intangible purchases also contributed £13.5 million and there was a foreign exchange movement of £2.1 million. This was partially offset by amortisation in the year of £17.7 million.

Other non-current assets decreased from £10.7 million to £5.6 million, a decrease of £5.1 million. This was mainly due to a reduction in investments following the sale of the Betfair Group's 50% share in its joint venture, Betfair Australasia Pty Limited (£5.4 million), partly offset by an increase in deferred tax assets of £0.3 million.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total non-current assets increased from £66.5 million at 31 October 2014 to £107.5 million at 31 October 2015, an increase of £41.0 million.

Property, plant and equipment increased from £14.0 million to £18.2 million, an increase of £4.2 million due to additions more than offsetting depreciation in the period. Goodwill and other intangible assets increased from £46.1 million to £78.7 million, an increase of £32.6 million primarily due to the acquisition of HRTV, with £36.0 million of goodwill and other intangible assets acquired. Other non-current assets increased from £6.4 million to £10.6 million, an increase of £4.2 million due to an increase in deferred tax assets held.

Current assets

2014 compared to 2013

Total current assets increased from £186.8 million at 30 April 2013 to £232.8 million at 30 April 2014, an increase of £46.0 million.

Cash and cash equivalents increased from £168.1 million to £209.8 million, an increase of £41.7 million. This was driven primarily by growth in the business and increased profitability in the year, partially offset by cash spent on capital expenditure of £22.4 million (including internal development expenditure) and dividends paid in the year of £15.6m.

Trade and other receivables increased from £18.7 million to £23.0 million, an increase of £4.3 million, driven by increases in prepayments and other receivables due to working capital movements.

2015 compared to 2014

Total current assets decreased from £232.8 million at 30 April 2014 to £128.4 million at 30 April 2015, a decrease of £104.4 million.

Cash and cash equivalents decreased from £209.8 million to £105.1 million, a decrease of £104.7 million. £200.7 million was returned to shareholders (including fees and duty) via a return of capital along with further dividends of £24.1 million paid during the year. Other significant cash impacts were capital expenditure of £19.8 million (including internal development expenditure) and the acquisition of HRTV for £16.6 million. Partially offsetting this expenditure was cash generated from the growth in operations

and profit earned in the year, in addition to cash proceeds from the sale of the Australian joint venture of £12.0 million.

Trade and other receivables increased in the year from £23.0 million to £23.3 million, an increase of £0.3m due mainly to working capital movements.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total current assets decreased from £295.6 million at 31 October 2014 to £168.3 million at 31 October 2015, a reduction of £127.3 million.

Cash and cash equivalents decreased from £271.4 million to £139.4 million, a decrease of £132.0 million. This was primarily due to the return of £200.7 million to shareholders (including fees and duty) via a return of capital and was partially offset by increased growth and profitability of the business.

Trade and other receivables increased by £4.7 million from £24.2 million to £28.9 million. This was primarily driven by increases in receivables and other prepayments.

Current liabilities

2014 compared to 2013

Total current liabilities decreased from £142.7 million at 30 April 2013 to £137.4 million at 30 April 2014, a decrease of £5.3 million. The primary driver was a decrease in provisions from £11.6 million to £1.2 million, a decrease of £10.4 million, primarily due to the utilisation of the redundancy provision that had been held at 30 April 2013. This was partly offset by trade and other payables increasing by £2.2 million from £109.6 million to £111.8 million due to a number of minor movements in working capital, as well as tax payable increasing by £2.9 million from £21.5 million to £24.4 million.

2015 compared to 2014

Total current liabilities increased from £137.4 million at 30 April 2014 to £162.7 million at 30 April 2015, an increase of £25.3 million. The main driver was an increase in trade and other payables of £16.3 million from £111.8 million to £128.1 million, primarily due to an increase in gaming taxes payable, including the introduction of UK POC tax. Tax payable also increased by £5.1 million from £24.4 million to £29.5 million and provisions increased by £3.9 million from £1.2 million to £5.1 million due to provisions for gaming tax made in the period.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total current liabilities increased from £144.9 million at 31 October 2014 to £160.6 million at 31 October 2015, an increase of £15.7 million. The increase was largely due to an increase in trade and other payables of £13.3 million from £110.9 million to £124.2 million primarily driven by the introduction of UK POC tax and other working capital movements. Tax payable decreased by £0.6 million from £32.9 million to £32.3 million and provisions increased by £3.0m from £1.1 million to £4.1 million due to provisions for gaming tax made in the period being offset by the utilisation of the onerous contracts provision.

Non-current liabilities

2014 compared to 2013

Total non-current liabilities decreased from £1.6 million at 30 April 2013 to £0.7 million at 30 April 2014, a decrease of £0.9 million as a result of the utilisation of onerous contract provisions.

2015 compared to 2014

Total non-current liabilities increased to £19.9 million at 30 April 2015, an increase of £19.2 million. The increase was primarily due to non-current trade and other payables (£19.5 million) relating to deferred and contingent consideration payable to The Stronach Group on the acquisition of HRTV.

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total non-current liabilities increased from £0.5 million at 31 October 2014 to £20.0 million at 31 October 2015, an increase of £19.5 million. The increase was primarily due to non-current trade and other payables increasing by £19.5 million relating entirely to deferred and contingent consideration payable to The

Stronach Group on the acquisition of HRTV. Provisions decreased by £0.5 million from £0.5 million to nil due to provisions for onerous contracts being fully utilised in the period.

Equity

2014 compared to 2013

Total equity increased from £132.0 million at 30 April 2013 to £171.4 million at 30 April 2014, an increase of £39.4 million. Retained earnings increased by £40.7 million from £120.1 million to £160.8 million primarily due to the profit generated in the year, offset by dividends of £15.6 million. Share premium increased by £2.5 million from £19.4 million to £21.9 million following issue of shares and other reserves decreased by £3.8 million.

2015 compared to 2014

Total equity decreased to £49.4 million at 30 April 2015, a reduction of £122.0 million. The decrease was primarily due to a reduction in retained earnings of £107.8 million from £160.8 million to £53.0 million due to the return of capital to shareholders during the year, which was paid out of reserves. This reduction in reserves was partly offset by profit generated during the year of £86.4 million, share premium cancellation, dividends paid and other retained earnings transactions.

The reduction in share premium during the year (£16.6 million) was driven primarily by the issuance of shares resulting in a credit to the share premium account of £5.6 million, offset by the subsequent cancellation of share premium, the effect of which was to transfer £22.2 million to the retained earnings account. The reduction in the share premium account was partly offset by an increase in other reserves (£2.4 million).

Six months ended 31 October 2015 compared to six months ended 31 October 2014

Total equity decreased from £216.7 million at 31 October 2014 to £95.2 million at 31 October 2015, a decrease of £121.5 million. The reduction was primarily due to a fall in retained earnings of £135.3 million from £227.5 million to £92.2 million driven by a return of capital to shareholders in the year of £200.7 million (including fees and duty). This was partly offset by an increase in share premium of £4.6 million and other reserves of £9.2 million.

6.3 Off-Balance Sheet Arrangements

The Betfair Group held customer funds of £261.9 million as at 31 October 2015 (30 April 2015: £280.6 million; 31 October 2014: £267.4 million; 30 April 2014: £269.0 million; 30 April 2013: £284.1 million) off-balance sheet in ring-fenced accounts under a Trust Deed and invested separately from corporate funds. These customer funds are held by The Sporting Exchange (Clients) Limited, a wholly-owned subsidiary of the Group, and are held off balance sheet on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group. The ring-fenced customer funds held by the Group in trust are spread across leading banking groups with the main aim of reducing risk as opposed to maximising income.

The following table summarises the Betfair Group's substantial contractual obligations (comprising total minimum future payments under non-cancellable operating leases) as at 30 April 2015, 30 April 2014 and 30 April 2013:

	As at 30 April		
	2013	2014	2015
	£ millions	£ millions	£ millions
Not later than one year	6.3	5.6	6.0
Later than one year and not later than five years	14.6	12.9	12.6
Later than five years	3.5	2.3	1.9
Total	24.4	20.8	20.5

These amounts relate to the Betfair Group's various office facilities. These leases have varying terms, escalation charges and renewal rights.

In addition as at 30 April 2015, the Betfair Group had commitments of £10.2 million in relation to certain capital and marketing expenditures which are contracted but not incurred and therefore not recorded as liabilities in the Betfair Group's balance sheet at 30 April 2015.

6.4 Capital Management

The capital structure of the Betfair Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Betfair Group regularly monitors capital on the basis of gross cash (defined as cash and cash equivalents).

The Betfair Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The Betfair Group's objectives when managing capital are to safeguard the Betfair Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Betfair Group finances its operations through retained earnings and the management of working capital and has sufficient capital for its needs.

To maintain or adjust the capital structure, the Betfair Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

7. Capitalisation and Indebtedness

The table below sets out Betfair's capitalisation as at 31 October 2015.

	As at 31 October 2015
	<u>£ millions</u>
Share capital	0.1
Share premium	5.5
Other reserves	(2.6)
Retained earnings	92.2
Minority interest	—
Total capitalisation	<u>95.2</u>

The following table sets out Betfair's net indebtedness as at 31 October 2015.

	As at 31 October 2015
	<u>£ millions</u>
Cash and cash equivalents	139.4
Trading securities	—
Liquidity	139.4
Current and non-current financial indebtedness	—
Net financial indebtedness	<u>139.4</u>

8. Disclosures about Market and Credit Risks

In the ordinary course of business, the Betfair Group is exposed to various financial and market risks. These risks comprise primarily liquidity risk, currency risk, interest rate risk and credit risk. The Betfair Directors review and agree the policies for managing each of these risks.

8.1 Liquidity Risk

The Betfair Group does not maintain committed lines of credit. Accordingly, it has ensured that it has sufficient cash on hand to meet expected operational expenses for a period of at least 90 days. As at 30 April 2015, the Betfair Group had current trade and other payables of £38.6 million (30 April 2014: £29.3 million; 30 April 2013: £28.2 million) and open bet liabilities (in respect of the Betfair Group's

risk-bearing products) of £0.2 million (30 April 2014: £0.1 million; 30 April 2013: £0.1 million). These exposures had contractual maturities of one year or less. As at 30 April 2015, the Betfair Group held cash and cash equivalents of £105.1 million (30 April 2014: £209.8 million; 30 April 2013: 168.1 million).

8.2 Currency Risk

The Betfair Group is exposed to currency risk on sales and purchases that are denominated in a currency other than pounds sterling. The currencies in which these transactions primarily are denominated are US dollar and Euro.

The Betfair Group does not normally hedge against these sales and purchases. However, it monitors all foreign currency exposures and, where appropriate, may undertake currency hedging to mitigate the risk of unfavourable foreign exchange movements on specific commitments that the Betfair Group enters into.

A 15% weakening of pounds sterling against these primary currencies at 30 April 2015 would have increased equity by £3.4 million and earnings by £0.7 million.

8.3 Interest Rate Risk

The Betfair Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. The Betfair Group, however, held significant cash and cash equivalents at 30 April 2015 of £105.1 million (30 April 2014: £209.8 million; 30 April 2013: £168.1 million), and accordingly is exposed to the direct risk of interest rate declines on its interest bearing financial instruments. At current rates, a decrease of 1% would eliminate finance income entirely.

Any decline in interest rates would also adversely affect the Betfair Group's revenue from management of customer funds.

8.4 Credit Risk

Credit risk is the risk of financial loss to the Betfair Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Betfair Group's investment of its corporate funds.

Betfair Group treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Betfair Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss or the failure of any single counterparty would not materially impact the financial wellbeing of the Betfair Group.

The Betfair Group limits its exposure to credit risk by only depositing surplus funds on a short-term basis. The ring-fenced customer funds held by the Betfair Group in trust are spread across leading banking groups with the main aim of reducing risk as opposed to maximising income.

The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at 30 April 2015 was £113.8 million (30 April 2014: £217.4 million; 30 April 2013: £174.2 million), being the total of the carrying amount of financial assets excluding equity interests and also excluding funds held off balance sheet on behalf of customers.

9. Significant Accounting Policies

The preparation of the consolidated historical financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying

accounting policies that have the most significant effect on the amounts recognised in the consolidated historical financial information is included in the following notes:

9.1 Capitalisation of Development Expenditure

Expenditure on development activities is recognised as an internally generated intangible asset only when the necessary criteria are met; including demonstrating the technical feasibility of the product and having sufficient certainty over the future revenue or cost savings that will be generated from the product.

The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the point at which the above criteria are met up to the point at which the asset is available for use. If the criteria are not met the expenditure is recognised in the income statement as an expense in the period in which it is incurred.

Capitalised development expenditure assets are amortised on a straight-line basis from the date they are available for use over their useful economic lives.

In the year ended 30 April 2015, the Betfair Group capitalised £6.6 million of internal development expenditure (30 April 2014: £7.4 million; 30 April 2013: £18.9 million) and expensed £44.8 million of research and non-capitalisable development expenditure (30 April 2014: £44.4 million; 30 April 2013: £51.0 million). Any determination that the Betfair Group's items of future development expenditures did not meet the criteria established by IAS 38 would result in an increase in non-capitalisable development expenditures and a corresponding decrease in EBITDA and profit, offset (largely in future periods) by decreased amortisation expense.

9.2 Impairment Tests for Cash Generating Units ("CGUs") Containing Goodwill

A full impairment review has been performed of all goodwill and intangibles balances held by the Betfair Group on a cash-generating unit basis as at 30 April 2015. The impairment review is performed on a 'value in use' basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate.

At 30 April 2015, the carrying amount of goodwill was £25.1 million (30 April 2014: £18.9 million; 30 April 2013: £20.5 million), allocated solely to the TVG CGU.

Except as disclosed in paragraph 5.2 above, there were no impairment losses or subsequent reversals for any of the goodwill held during the years under review. The Betfair Directors consider that no reasonably possible change in assumptions would give rise to any impairment indicators in the carrying amount.

Impairment testing is carried out by allocating the carrying value of these assets to the CGU and determining the recoverable amount of this CGU through a value in use calculation. The calculation is based on projecting future pre-tax cash flows over a five-year period and uses a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model, which reflects the expected long-term average growth rate for the business in which the CGU operates.

The budgets for the next financial year, which are subject to Betfair Board approval, form the basis of the cash flow projections for the CGU. Cash flow projections for the next four financial years reflect management's expectations of the medium-term operating performance of the CGU and growth prospects in the CGU's markets and regions, and have been modelled in line with historic patterns experienced by the Betfair Group in recent years, where relevant. Growth rates used do not exceed expectations of long-term growth in the local market.

A discount factor is applied to obtain a "value in use" which is the recoverable amount, unless the fair value less costs to sell the CGU is an amount in excess of the "value in use". The discount rate is estimated by the Betfair Group using a range of equity costs for similar companies and external market data, with samples chosen where applicable from the same markets or territories as the CGU.

The calculation of value in use for goodwill is sensitive to the following key assumptions:

Operating cash flow

One of the key drivers of operating cash flow is revenue as the calculation of the recoverable amount of TVG goodwill is sensitive to future developments in US horseracing. The 2016 revenue figures for the CGU are based on the budget for the next financial year. For the years 2017 to 2020, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience, growth

prospects in regions and historic player patterns. The terminal growth rate used was nil% (30 April 2014: nil%; 30 April 2013: 2.0%). Management considers the assumed growth rate to be conservative.

Discount rate applied

The discount rate applied to the CGU represents a pre-tax rate that reflects the Betfair Group's weighted average cost of capital adjusted for the risks specific to that CGU. For the TVG CGU, a pre-tax discount rate of 11.0% (30 April 2014 & 2013: 12.5%) has been used in discounting the projected cash flows.

9.3 Determination of Fair Value of Deferred and Contingent Consideration

Deferred and contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in estimates and assumptions. Fair value is determined using an income approach which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate.

The deferred and contingent consideration was generated on the acquisition of HRTV, in February 2015.

At 30 April 2015, the fair value of deferred and contingent consideration was estimated at £20.5 (\$31.5) million, with £4.1 million (\$6.3 million) of the consideration dependent on future performance over the next 7 years. The fair value has been estimated using a discount rate of 10%. There is no maximum cap on the amount payable.

As at 30 April 2015, there were no reasonable changes in assumptions that would have a material impact on the fair value payable.

9.4 Share-Based Payments

Estimation and judgement is required in determining the fair value of certain shares at the date of award. The fair value is estimated using valuation techniques which take into account the award's term, the risk-free interest rate and the expected volatility of the market price of shares of the Betfair Group.

9.5 Deferred Tax

Deferred tax assets and liabilities represent management's best estimate in determining the amounts to be recognised. When assessing the extent to which deferred tax assets should be recognised, consideration is given to the timing and level of future taxable income.

9.6 Valuation of Tax Provisions and Liabilities

Judgement and estimation is required to interpret international tax laws and the way that they interact within each jurisdiction, in order to identify and value provisions in relation to gaming taxes as applicable. In addition to gaming taxes, judgement is required in relation to international tax laws including transfer pricing and controlled foreign companies.

PART V: HISTORICAL FINANCIAL INFORMATION

Section A: Historical Financial Information of Paddy Power

The financial statements of Paddy Power for the six months ended 30 June 2015, as set out in the Paddy Power 2015 Interim Results Announcement, the financial statements of Paddy Power for the six months ended 30 June 2014, as set out in the Paddy Power 2014 Interim Results Announcement, the financial statements of the Paddy Power for the year ended 31 December 2014, as set out in the Paddy Power 2014 Annual Report and Accounts, the financial statements of Paddy Power for the year ended 31 December 2013, as set out in the Paddy Power 2013 Annual Report and Accounts, and the financial statements of Paddy Power for the year ended 31 December 2012, as set out in the Paddy Power 2012 Annual Report and Accounts, are incorporated by reference into this Prospectus.

The information set forth below is only a summary that should be read together with the historical audited consolidated financial statements of Paddy Power and the related notes and the unaudited interim results of Paddy Power and the related notes. Historical results are not necessarily indicative of any results to be expected in the future.

Summarised Consolidated Income Statement

	Six months ended 30 June (unaudited)		Financial Year ended 31 December		
	2015	2014	2014	2013	2012
	€000	€000	€000	€000	€000
Continuing operations					
Income	527,800	396,492	881,640	745,195	653,750
Direct betting costs	(129,474)	(75,895)	(167,746)	(128,243)	(100,197)
Operating expenses	(318,266)	(260,541)	(550,088)	(479,566)	(417,553)
Operating profit	80,060	60,056	163,806	137,386	136,000
Financial income and expense, net	423	1,568	2,759	3,644	3,155
Profit before tax	80,483	61,624	166,565	141,030	139,155
Income tax expense	(12,073)	(8,011)	(21,656)	(17,846)	(18,156)
Profit	68,410	53,613	144,909	123,184	120,999
Earnings per share					
Basic	€ 1.456	€ 1.113	€ 3.011	€ 2.567	€ 2.511
Diluted	€ 1.448	€ 1.106	€ 2.976	€ 2.520	€ 2.481

Summarised Consolidated Statement of Financial Position

	Six months ended 30 June (unaudited)		Financial Year ended 31 December		
	2015	2014	2014	2013	2012
	€000	€000	€000	€000	€000
Non-current assets	324,380	310,733	316,158	289,853	281,357
Current Assets	208,621	282,285	317,394	257,113	230,417
Total Assets	533,001	593,018	633,552	546,966	511,774
Total equity	9,954	328,069	386,981	311,002	277,656
Current liabilities	270,343	252,320	236,274	218,998	203,981
Non-current liabilities	252,704	12,629	10,297	16,966	30,137
Total liabilities	523,047	264,949	246,571	235,964	234,118
Total equity and liabilities	533,001	593,018	633,552	546,966	511,774

Summarised Consolidated Statement of Cash Flows

	Six months ended 30 June (unaudited)		Financial Year ended 31 December		
	2015	2014	2014	2013	2012
	€000	€000	€000	€000	€000
Net cash from operating activities	110,970	93,424	215,093	182,886	212,902
Net cash (used in)/from investing activities	(9,944)	(25,028)	(80,904)	35,880	(95,156)
Net cash used in financing activities	(206,556)	(45,128)	(76,420)	(100,244)	(100,387)
Net (decrease)/increase in cash and cash equivalents	(105,530)	23,268	57,769	46,762	17,359
Cash and cash equivalents at start of year/period .	226,513	161,359	161,359	129,004	111,139
Foreign currency exchange gain/(loss) on cash and cash equivalents	8,078	6,238	7,385	(14,407)	506
Cash and cash equivalents at end of year/period .	129,061	190,865	226,513	161,359	129,004

Section B: Historical Financial Information of Betfair

The financial statements of Betfair for the six months ended 31 October 2015, as set out in the Betfair 2016 Interim Results Announcement, the financial statements of Betfair for the six months ended 31 October 2014, as set out in the Betfair 2015 Interim Results Announcement, the financial statements of Betfair for the year ended 30 April 2015, as set out in the Betfair 2015 Annual Report and Accounts, the financial statements of Betfair for the year ended 30 April 2014, as set out in the Betfair 2014 Annual Report and Accounts, and the financial statements of Betfair for the year ended 30 April 2013, as set out in the Betfair 2013 Annual Report and Accounts, are incorporated by reference into this Prospectus.

The information set forth below is only a summary that should be read together with the historical audited consolidated financial statements of Betfair and the related notes and the unaudited interim results of Betfair and the related notes. Historical results are not necessarily indicative of any results to be expected in the future.

Summarised Consolidated Income Statement

	Six months ended 31 October (unaudited)		Financial Year ended 30 April		
	2015 £million	2014 £million	2015 £million	2014 £million	2013 £million
Continuing operations					
Revenue	274.4	237.6	476.5	393.6	387.0
Cost of sales	(60.4)	(37.2)	(90.6)	(50.9)	(49.8)
Gross Profit	214.0	200.4	385.9	342.7	337.2
Administrative expenses	(146.8)	(140.5)	(291.6)	(281.1)	(406.2)
Group Operating profit/(loss)	67.2	59.9	94.3	61.6	(69.0)
Analysed as:					
Underlying EBITDA	80.5	73.9	120.2	91.1	73.3
Separately disclosed items—restructuring and other	—	—	—	—	(22.1)
EBITDA	80.5	73.9	120.2	91.1	51.2
Separately disclosed items—impairment of goodwill and other intangible assets	—	—	—	—	(82.4)
Depreciation and amortisation	(13.3)	(14.0)	(25.9)	(29.5)	(37.8)
Group Operating profit/(loss)	67.2	59.9	94.3	61.6	(69.0)
Profit on disposal of available-for-sale financial assets . .	—	—	—	—	16.8
Net Financial income/(expense)	(0.9)	0.9	0.4	0.7	1.4
Profit on disposal of joint venture	—	6.4	6.4	—	—
Share of Profit/(loss) of equity accounted investments . .	—	0.1	0.1	(1.2)	1.4
Profit/(loss) before tax	66.3	67.3	101.2	61.1	(49.4)
Tax	(10.3)	(9.7)	(14.8)	(10.1)	4.2
(Loss)/profit for the year from continuing operations . . .	56.0	57.6	86.4	51.0	(45.2)
Discontinued operations					
Loss for the period/year from discontinued operations, net of tax	—	—	—	—	(21.1)
Profit/(loss) for the period/year	56.0	57.6	86.4	51.0	(66.3)
Earnings/(loss) per share from continuing operations					
Basic	60.3p	55.0p	85.9p	49.0p	(44.4p)
Diluted	58.8p	53.7p	83.7p	48.1p	(44.4p)
Earnings/(loss) per share from continuing and discontinuing operations					
Basic	—	—	—	—	(65.1)p
Diluted	—	—	—	—	(65.1)p

Summarised Consolidated Balance Sheet

	Six months ended 31 October (unaudited)		Financial Year ended 30 April		
	2015	2014	2015	2014	2013
	£million	£million	£million	£million	£million
Non-current assets	107.5	66.5	103.6	76.7	89.5
Current Assets	168.3	295.6	128.4	232.8	186.8
Total Assets	275.8	362.1	232.0	309.5	276.3
Total equity	95.2	216.7	49.4	171.4	132.0
Current liabilities	160.6	144.9	162.7	137.4	142.7
Non-current liabilities	20.0	0.5	19.9	0.7	1.6
Total liabilities	180.6	145.4	182.6	138.1	144.3
Total equity and liabilities	275.8	362.1	232.0	309.5	276.3

Summarised Consolidated Cash Flow Statement

	Six months ended 31 October (unaudited)		Financial Year ended 30 April		
	2015	2014	2015	2014	2013
	£million	£million	£million	£million	£million
Net cash flows generated from operating activities	68.3	73.9	139.1	79.5	83.1
Net cash flows (used in)/from investing activities	(10.9)	5.3	(23.3)	(21.5)	(42.9)
Net cash flows used in financing activities	(22.9)	(16.8)	(220.0)	(14.3)	(7.0)
Net (decrease)/increase in cash and cash equivalents	34.5	62.4	(104.2)	43.7	33.2
Cash and cash equivalents at the beginning of the period/year	105.1	209.8	209.8	168.1	135.4
Effect of exchange rate fluctuations on cash held	(0.2)	(0.8)	(0.5)	(2.0)	(0.5)
Cash and cash equivalents at period/year end	139.4	271.4	105.1	209.8	168.1

* * *

For more detail on the information incorporated by reference into this Prospectus, please refer to the Section “*Documents Incorporated by Reference*”.

PART VI: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited pro forma financial information relating to the Combined Group

Set out below is the consolidated pro forma income statement of the Combined Group for the year ended 31 December 2014 and the consolidated pro forma statement of net assets of the Combined Group as at 31 December 2014 (the “**pro forma financial information**”).

The unaudited pro forma income statement of the Combined Group has been prepared to illustrate the effect of the Merger on the earnings of the Paddy Power Group as if the Merger had taken place on 1 January 2014.

The unaudited pro forma statement of net assets of the Combined Group has been prepared to illustrate the effect of the Merger of Paddy Power and Betfair and payment of the Special Dividend by Paddy Power on the consolidated net assets of the Paddy Power Group as at 31 December 2014 as if the Merger and the Special Dividend payment had taken place on that date.

The pro forma financial information has been prepared on the basis set out in the notes below and is based on the audited income statement and balance sheet of Paddy Power for the year ended 31 December 2014 and the audited income statement and balance sheet of Betfair for the year ended 30 April 2015.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Paddy Power Group’s actual financial position or results.

The pro forma financial information has been prepared in accordance with the requirements of items 1 to 6 of Annex II of the EU Prospectus Regulation has been prepared in a manner consistent with the accounting policies of the Paddy Power Group for the financial period ended 31 December 2014.

Shareholders should read the whole of this document and not rely solely on the pro forma financial information contained in this Part VI of this Prospectus.

KPMG’s report on the unaudited pro forma financial information is set out in Section B of this Part VI of this Prospectus.

Unaudited pro forma statement of net assets of the Combined Group as at 31 December 2014

	Paddy Power as at 31 December 2014	Paddy Power as at 31 December 2014	Betfair as at 30 April 2015	Pro forma adjustments		Pro Forma statement of net assets of Paddy Power Betfair
	€m	€m	€m	Cost of transaction	Special dividend	€m
	Note 1	Note 1	Note 2	€m Note 3	€m Note 4	€m
Assets						
Non-current assets						
Property plant and equipment	126.7	93.6	14.8			108.4
Intangible assets	76.4	56.4	58.1			114.5
Goodwill	102.8	75.9	25.1			101.0
Deferred tax assets	8.3	6.1	4.2			10.3
Trade and other receivable	2.0	1.5	—			1.5
Investments	—	—	0.1			0.1
Available-for-sale	—	—	1.3			1.3
Total non-current assets	316.2	233.5	103.6	—	—	337.1
Current assets						
Trade and other receivables	32.4	23.9	23.3			47.2
Financial assets—restricted cash	39.2	29.0	—			29.0
Financial assets—deposits	19.3	14.3	—			14.3
Cash and cash equivalents	226.5	167.3	105.1	(45.4)	(59.1)	167.9
Total current assets	317.4	234.5	128.4	(45.4)	(59.1)	258.4
Total assets	633.6	468.0	232.0	(45.4)	(59.1)	595.5
Current liabilities						
Trade and other payables	201.4	148.8	128.1			276.9
Derivative financial liabilities	17.0	12.5	—			12.5
Provisions	0.5	0.4	5.1			5.5
Current tax payable	17.4	12.8	29.5			42.3
Borrowings	—	—	—			—
Total current liabilities	236.3	174.5	162.7	—	—	337.2
Non-current liabilities						
Trade and other payable	5.8	4.3	19.5			23.8
Provisions	1.2	0.9	0.4			1.3
Deferred tax liabilities	3.2	2.3	—			2.3
Borrowings	—	—	—			—
Derivative financial liabilities	0.1	0.1	—			0.1
Total non-current liabilities	10.3	7.6	19.9	—	—	27.5
Total liabilities	246.6	182.1	182.6	—	—	364.7
Net assets/(liabilities)	387.0	285.9	49.4	(45.4)	(59.1)	230.8

Notes to the unaudited pro forma statement of net assets of the Combined Company:

1. The net assets of the Paddy Power Group have been extracted without adjustment from the audited balance sheet as at 31 December 2014 as published in the Paddy Power Group's annual report dated 2 March 2015 and converted to pounds sterling at €1.35382:£1.
2. The Betfair Group net assets have been extracted without adjustment from the audited balance sheet as at 30 April 2015 as published in the Betfair Group's annual report dated 17 June 2015. For comparative purposes Goodwill has been set out separately from Intangible assets.
3. Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1). In addition stamp duty of £15.7 million (€21.3 million converted at €1.35382:£1) is estimated to be payable by Paddy Power Group on issue of shares.
4. As part of the Merger it is proposed that a special dividend of €80 million (£59.1 million converted at €1.35382:£1) will be paid to the Paddy Power Shareholders who are on the register of members of Paddy Power on the business day prior to Completion.

Unaudited pro forma income statement of the Combined Group for the year ended 31 December 2014

	Income statement of Paddy Power for the year ended 31 December 2014	Income statement of Paddy Power for the year ended 31 December 2014	Pro forma adjustments		Pro forma income statement for Paddy Power Betfair
			Income statement of Betfair for the year ended 30 April 2015	Cost of transaction	
	€m Note 5	£m Note 5	£m Note 6	£m Note 7	£m Note 8
Income	881.6	651.2	476.5		1,127.7
Direct betting costs	(167.7)	(123.9)	(90.6)		(214.5)
Gross profit	713.9	527.3	385.9	—	913.2
Employee expenses	(257.3)	(190.1)	—	—	(190.1)
Property expenses	(58.4)	(43.1)	—	—	(43.1)
Marketing expenses	(100.9)	(74.5)	—	—	(74.5)
Technology and communications expenses	(48.6)	(35.9)	—	—	(35.9)
Depreciation and amortisation	(48.0)	(35.4)	—	—	(35.4)
Other expenses, net	(36.9)	(27.3)	—	(29.7)	(57.0)
Administrative expenses	—	—	(291.6)	—	(291.6)
Total operating expenses	(550.1)	(406.3)	(291.6)	(29.7)	(727.6)
Operating profit	163.8	121.0	94.3	(29.7)	185.6
Finance income	2.9	2.1	1.1		3.2
Finance expense	(0.2)	(0.1)	(0.7)		(0.8)
Profit on disposal of joint venture	—	—	6.4		6.4
Share of profit/(loss) of equity accounted investments	—	—	0.1		0.1
Profit before tax	166.5	123.0	101.2	(29.7)	194.5
Income tax expense	(21.7)	(16.0)	(14.8)		(30.8)
Profit for year	<u>144.8</u>	<u>107.0</u>	<u>86.4</u>	<u>(29.7)</u>	<u>163.7</u>

Notes to the unaudited pro forma statement of comprehensive income

- The Paddy Power Group income statement has been extracted, without adjustment, from the audited financial statements of the Paddy Power Group for the year ended 31 December 2014 and converted to pounds sterling at €1.35382:£1.
- The Betfair Group income statement has been extracted, without adjustment, from the audited financial statements of the Betfair Group for the year ended 30 April 2015.
- Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1).
- No adjustment has been made to the unaudited pro forma income statement to reflect trading results of Paddy Power since 31 December 2014 or Betfair since 30 April 2015. Neither has any adjustment been made for any synergies, or related costs to achieve (which will be incurred post Completion of the Merger), which are anticipated to result from the Merger.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Paddy Power Directors and the Proposed Directors
Paddy Power plc
Power Tower
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4

30 November 2015

Dear Sirs

Paddy Power plc (to be renamed Paddy Power Betfair plc)

We report on the pro forma financial information (the “**Pro forma financial information**”) set out in Part VI of the Company’s prospectus dated 30 November 2015 (the “**Prospectus**”) which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the proposed admission of the existing and new ordinary shares of Paddy Power plc (to be renamed Paddy Power Betfair plc) (the “**Company**”) to listing on the premium listing segment of the Official List of the UK Financial Conduct Authority and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company and admission to trading on the London Stock Exchange plc’s main market for listed securities and the Irish Stock Exchange’s Main Securities Market might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2014. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the “**EU Prospectus Regulation**”) and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I to the EU Prospectus Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the EU Prospectus Regulation as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 2(2)(f) of Schedule 1 to the Prospectus (Directive 2003/71/EC) Regulations 2005 (S.I. No 324 of 2005) (the “**Irish Prospectus Regulations**”) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I to the EU Prospectus Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has

been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- a) the Pro forma financial information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of paragraph 2(2)(f) of Schedule 1 to the Irish Prospectus Regulations we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the EU Prospectus Regulation.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

PART VII: TAXATION

Irish Taxation

The following comments do not constitute tax advice and are intended only as a guide to Irish law and Revenue Commissioners' practice in Ireland as at the date of this Prospectus. The comments relate only to certain limited aspects of the Irish taxation treatment of Paddy Power Shareholders and are intended to apply only to Paddy Power Shareholders who are the absolute beneficial owners of their Ordinary Shares, and who hold, and will hold, them as investments (and not as securities to be realised in the course of a trade). The comments may not apply to certain Paddy Power Shareholders, such as dealers in securities, close companies, insurance companies and collective investment schemes, Paddy Power Shareholders who are exempt from taxation and Paddy Power Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular Paddy Power Shareholder. All Paddy Power Shareholders are advised to consult their professional advisors on their tax position, based on their own particular circumstances, before taking any action in respect of the Ordinary Shares.

1. Taxation of Dividends (including the Special Dividend)

1.1 Irish tax resident individuals (i.e. an individual who is resident or ordinarily resident in Ireland for tax purposes) and Irish tax resident companies

Individual shareholders within the charge to Irish income tax

(a) Basic Rate Taxpayers

In the case of a Paddy Power Shareholder who is liable to income tax at the basic rate only, the Paddy Power Shareholder will be subject to Irish income tax on the gross dividend at the rate of 20% (plus Universal Social Charge ("USC") and pay-related social insurance ("PRSI"), if applicable).

(b) Higher Rate Taxpayers

In the case of a Paddy Power Shareholder who is liable to income tax at the higher rate of income tax, the Paddy Power Shareholder will be subject to Irish income tax on the gross dividend at the rate of 40% (and USC and PRSI, if applicable).

(c) Credit for Tax Withheld

Individual Paddy Power Shareholders within the charge to Irish income tax may be entitled to a credit against their income tax liability for any amount of dividend withholding tax (DWT) withheld by Paddy Power. Further details on when DWT will apply and exemptions available are set out in Section 2 of this Part VII (*Taxation*). Where the amount of tax withheld exceeds that Paddy Power Shareholder's Irish income tax liability a refund of the balance may be claimed from the Revenue Commissioners when filing a tax return for the relevant tax year.

Corporate shareholders within the charge to Irish corporation tax

Irish tax resident corporate Paddy Power Shareholders who beneficially hold their Ordinary Shares in Paddy Power as investments and not as trading stock should not be subject to Irish corporation tax on dividends received in respect of their Ordinary Shares, as dividend income from the Ordinary Shares should be 'franked investment income' not chargeable to corporation tax pursuant to section 129 of the Taxes Consolidation Act 1997 of Ireland (the "TCA").

1.2 Non-Irish tax resident individuals (i.e. an individual who is not resident or ordinarily resident in Ireland for tax purposes) and non-Irish tax resident companies not within the charge to Irish corporation tax

Where a non-Irish tax resident individual (i.e. an individual who is not resident or ordinarily resident in Ireland for tax purposes), or non-Irish corporate Paddy Power Shareholder correctly receives dividends in respect of the Ordinary Shares free from Irish Dividend Withholding Tax ("DWT") (as described below) then those Paddy Power Shareholders have no further liability to Irish income tax (or, in general, USC or PRSI for individuals) in respect of those dividends on the Ordinary Shares.

However, where a non-Irish tax resident individual (i.e. an individual who is not resident or ordinarily resident in Ireland for tax purposes) or non-Irish corporate Shareholder suffered DWT or ought to have suffered DWT on dividends paid in respect of the Ordinary Shares then such Paddy Power Shareholders may be liable to income tax (plus USC and PRSI, if applicable) in Ireland on those dividends, with a credit given for the DWT withheld. Where the liability is less than the DWT withheld, the Paddy Power Shareholder may be entitled to a refund of the excess over the actual liability to Irish tax.

2. Dividend Withholding Tax (“DWT”)

DWT at the standard rate of income tax (currently 20%) must be deducted from dividends paid by Paddy Power unless a shareholder is entitled to an exemption and has submitted a properly completed declaration providing for exemption to Paddy Power’s Registrar.

2.1 Irish tax resident individuals (i.e. an individual who is resident or ordinarily resident in Ireland for tax purposes) and Irish tax resident companies

For an individual Paddy Power Shareholder tax resident, or ordinarily tax resident in Ireland, no exemption from DWT is generally available and DWT currently at 20% will be deducted from dividend payments in respect of the Ordinary Shares.

Paddy Power Shareholders who suffer DWT may however be entitled to a credit against their income tax liability for this tax withheld by Paddy Power, as set out above.

Certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim an exemption from DWT where they have submitted a properly completed declaration providing for exemption to Paddy Power’s Registrar. Copies of the DWT exemption forms may be obtained from Paddy Power’s Registrar.

2.2 Non-Irish tax resident individuals (i.e. an individual who is not resident or ordinarily resident in Ireland for tax purposes) and non-Irish tax resident companies

Certain classes of non-Irish tax resident Paddy Power Shareholders may also be entitled to claim exemption from DWT where they have submitted a properly completed declaration providing for exemption to Paddy Power’s Registrar.

Such Paddy Power Shareholders would include:

- (a) an individual Paddy Power Shareholder (not being a company) who is neither resident nor ordinarily resident in Ireland and who is resident for tax purposes in a Relevant Territory;
- (b) a corporate Paddy Power Shareholder which is not resident for tax purposes in Ireland and which is resident for tax purposes in a Relevant Territory provided that the corporate Paddy Power Shareholder is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland;
- (c) a corporate Paddy Power Shareholder which is not resident for tax purposes in Ireland and which is ultimately controlled, directly or indirectly, by persons resident in a Relevant Territory;
- (d) a corporate Paddy Power Shareholder which is not resident for tax purposes in Ireland and whose principal class of Ordinary Shares (or those of its 75% parent) is substantially and regularly traded on a recognised stock exchange either in a Relevant Territory, Ireland or on such other stock exchange approved by the Minister for Finance; or
- (e) a corporate Paddy Power Shareholder which is not resident for tax purposes in Ireland and is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a recognised stock exchange in a Relevant Territory, Ireland or on such other stock exchange approved by the Minister for Finance.

In this context, Relevant Territory means (i) a Member State of the European Union (other than Ireland) or (ii) a country with which Ireland has a tax treaty in force by virtue of section 826(1) TCA or (iii) a country with which Ireland has a tax treaty that is signed and which will come into force once all the ratification procedures set out in section 826(1) TCA have been completed

Paddy Power Shareholders should note that DWT will be deducted in cases where a properly completed DWT exemption form has not been received before the next dividend is declared and paid on the Ordinary

Shares. Where a non-Irish tax resident person suffers DWT on a distribution which would not have been deducted had Paddy Power received a properly completed DWT declaration from that person, then that person should be entitled to receive a refund of the full amount of the DWT deducted on application to the Irish Revenue Commissioners.

3. Capital Gains Tax on a subsequent disposal of the Ordinary Shares

3.1 Irish tax resident individuals (i.e. an individual who is resident or ordinarily resident in Ireland for tax purposes) and Irish tax resident companies

For the purposes of taxation of capital gains and corporation tax on chargeable gains (as appropriate) (“**Irish CGT**”), where a Paddy Power Shareholder disposes of some or all of their Ordinary Shares they should be treated as having made a disposal of those Ordinary Shares for Irish tax purposes. This may, subject to the Paddy Power Shareholder’s individual circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of Irish CGT (currently at a rate of 33%).

In the case of Shareholders who are to be issued Ordinary Shares pursuant to the Scheme, on the basis that the exchange of Betfair Shares for Ordinary Shares (i.e. the New Paddy Power Betfair Shares) should be treated as a reorganisation for the purposes of Irish CGT, the Ordinary Shares issued to them should be treated as the same asset as the relevant exchanged Betfair Shares. The New Paddy Power Betfair Shares should therefore have the same base cost and acquisition date for Irish CGT purposes as the Betfair Shares they replace.

3.2 Non-Irish tax resident individuals (i.e. an individual who is not resident or ordinarily resident in Ireland for tax purposes) and non-Irish tax resident companies

Non-Irish tax resident Paddy Power Shareholders (who do not hold their shares in connection with a trade carried on by them in Ireland) will not be subject to Irish CGT on a disposal of the Ordinary Shares so long as they remain listed on a recognised stock exchange. To the extent that the shares were not listed, a charge to CGT on disposal should only arise where the shares derive the greater part of their value from Irish land or Irish minerals/certain mineral assets. In such circumstances, other exemptions may be available from Irish CGT.

Shareholders who are to be issued Ordinary Shares pursuant to the Scheme should consult the tax section of the Scheme Document for further information on calculating gains on a disposal of their Ordinary Shares.

4. Stamp Duty on a transfer of Ordinary Shares

Where the Ordinary Shares are transferred by a Paddy Power Shareholder to another person, Irish stamp duty at a rate of 1% is generally payable on the greater of the consideration or market value of the Ordinary Shares. Stamp duty is usually payable by the transferee. Exemptions from stamp duty may be available.

5. Capital Acquisitions Tax

A gift or inheritance comprising of Ordinary Shares will be within the charge to capital acquisitions tax (which, subject to available exemptions and reliefs, is currently levied at 33%) as the Ordinary Shares are property situate in Ireland (as the share register is located in Ireland).

UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK legislation as applied in England and Wales and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Paddy Power Shareholders who are resident, and in the case of individual Paddy Power Shareholders domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under a self-invested personal pension or in an individual savings account), who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them and who do not hold (directly or indirectly) 10% or more of the Ordinary Shares. The tax position of certain categories of Paddy Power Shareholders who are subject to special rules (such as persons acquiring their Ordinary Shares in

connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only.

Paddy Power Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1. Taxation of dividends

1.1 Withholding tax on dividends

Dividend payments may be made without withholding or deduction for or on account of UK income tax.

Please refer to the “**Irish Taxation**” section above for information regarding the entitlement of a UK resident Paddy Power Shareholder to claim exemption from Irish withholding tax on dividends.

1.2 Direct taxation of dividends paid to individuals

In the Summer Budget of July 2015, the UK government announced its intention to introduce significant changes to the UK income tax treatment of dividends, with effect from 6 April 2016. The legislation enacting these changes has not yet been made available and may differ from the details announced so far. The paragraphs below summarise the expected treatment for individuals under both the current rules and, based on the limited information published as part of the Summer Budget 2015, the proposed new rules.

Current rules (up to 6 April 2016)

Dividends received by individual Paddy Power Shareholders resident for tax purposes in the UK will be subject to UK income tax. This is charged on the amount of the dividend (before the deduction of any Irish withholding tax, if applicable) (the “declared dividend”) plus the amount of the related UK tax credit described below (together, the “gross dividend amount”).

Paddy Power Shareholders who are individuals will generally be entitled under the current rules to a UK tax credit equal to one-ninth of the amount of the declared dividend, which equates to 10% of the gross dividend amount. This UK tax credit will be set off against the UK income tax otherwise chargeable on the gross dividend amount.

The UK tax treatment of Paddy Power Shareholders who are individuals will then depend on whether they are liable to UK income tax at the basic, higher or additional rate.

An individual UK resident Paddy Power Shareholder who is subject to income tax at a rate not exceeding the basic rate will be liable to tax on the gross dividend amount at the rate of 10%. The UK tax credit will, in consequence, satisfy the liability in full and the shareholder will generally have no UK income tax liability to pay. Where the tax credit exceeds the Paddy Power Shareholder’s tax liability the shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Paddy Power Shareholder who is subject to income tax at the higher rate or additional rate will be liable to income tax on the gross dividend amount at the rate of 32.5% (2015/2016) or 37.5% (2015/2016) respectively to the extent that such sum, when treated as the top slice of that Paddy Power Shareholder’s income, falls above the threshold for higher rate or additional rate income tax. The UK tax credit will reduce the liability, such that the effective rate of tax in respect of the dividend is in fact lower than these headline rates. For example, a dividend (before the deduction of any Irish withholding tax, if applicable) of £180 will generally carry a tax credit of £20 (so a gross dividend amount of £200) and the UK income tax payable on the dividend by an individual Paddy Power Shareholder who is subject to income tax at the higher rate would be 32.5% of £200, namely £65, less the tax credit of £20, leaving a net UK income tax charge of £45 (an effective rate of 25% of the cash dividend received). A Paddy Power Shareholder whose taxed at the additional rate of 37.5% would have an effective rate of 30.56% of the cash dividend received.

Proposed new rules (from 6 April 2016)

As mentioned above, the UK Government has announced that the income tax system for dividends is to be reformed from April 2016. The following paragraphs summarise the expected treatment for individuals under the proposed new rules, based on the limited information published as part of the Summer Budget

2015. There is no guarantee that the proposed new rules will be enacted in this form and Paddy Power Shareholders who are in any doubt about their position after 6 April 2016 should seek appropriate advice.

From April 2016, (i) the 10% tax credit described above is to be abolished, (ii) a new annual tax free dividend allowance of £5,000 is to be introduced and (iii) the rates of tax imposed on dividends above the annual dividend allowance will be raised to 7.5% (for basic rate taxpayers), 32.5% (for higher rate taxpayers) and 38.1% (for additional rate taxpayers).

Accordingly, a Paddy Power Shareholder who is an individual and who receives a dividend from Paddy Power Betfair after 6 April 2016 would not pay any UK income tax to the extent that dividend, when aggregated with any other dividends received from any source in the same tax year, does not exceed the dividend allowance of £5,000.

To the extent that the dividend is not covered by the dividend allowance (taking account of any other dividends received by the Paddy Power Shareholder in the same tax year, excluding any dividends paid within an ISA), it would be subject to UK income tax at 7.5% (to the extent within the basic rate band), 32.5% (to the extent within the higher rate band) and/or 38.1% (to the extent within the additional rate band), in each case when treated as the top slice of that Paddy Power Shareholder's income for the relevant tax year. Dividends falling within the dividend allowance will still count towards the basic or higher rate bands for this purpose, and may therefore affect the rate of tax payable on dividends received in excess of the dividend allowance.

Direct taxation of dividends paid to companies

Corporate shareholders who are within the charge to UK corporation tax in respect of their Ordinary Shares will be subject to corporation tax on the declared dividend (subject to any available credit for Irish withholding tax) unless the dividend is exempt. It is likely that most dividends paid on the Ordinary Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest, should generally fall within an exempt class. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. Paddy Power Shareholders who are in any doubt about their position should seek appropriate advice.

Where a dividend paid by the Company is treated as exempt, the holder will not be entitled to claim relief by way of credit in the United Kingdom in respect of any Irish withholding tax suffered by the holder in respect of that dividend.

If the conditions for exemption are not met or cease to be satisfied, or such corporate shareholder elects an otherwise exempt dividend to be taxable, the shareholder will be subject to UK corporation tax on the dividends received at a rate of corporation tax applicable to that corporate shareholder (currently 20% (2015/2016)). Corporate shareholders will not be able to claim repayment of tax credits attaching to dividends.

2. Taxation of a subsequent disposal of the Ordinary Shares

A subsequent disposal or deemed disposal of Ordinary Shares by a Paddy Power Shareholder who is resident in the UK for tax purposes may, depending upon the Paddy Power Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals, or indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

An individual Paddy Power Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

If an individual shareholder who is subject to income tax at either the higher rate or the additional rate becomes liable to UK capital gains tax on the disposal of Ordinary Shares, the applicable rate will be 28% (2015/2016). The rate would be 18% for an individual shareholder subject to basic rate income tax.

3. UK stamp duty and stamp duty reserve tax (“SDRT”)

No liability to UK stamp duty or SDRT will be payable by a Betfair Shareholder on the issue of Ordinary Shares to Betfair Shareholders.

Provided that the Ordinary Shares are not registered in a register kept in the UK by or on behalf of Paddy Power Betfair, no UK SDRT should be payable in respect of any agreement to transfer Ordinary Shares.

UK stamp duty will not normally be payable in connection with a transfer of Ordinary Shares, provided that the instrument of transfer is executed outside the UK and does not relate to any property situated in, or to any matter or thing done or to be done in, the UK. Where such an instrument is chargeable to stamp duty in both the UK and Ireland and has been duly stamped in one of those countries, it is deemed to be stamped in the other country up to the amount of duty paid in the first country and need be stamped only for any excess in the other country.

The proposed financial transaction tax (“FTT”)

On 14 February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in the current form as proposed on 14 February 2013, apply to certain dealings in the Ordinary Shares (including secondary market transactions) in certain circumstances.

Under the proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of the Ordinary Shares are advised to seek their own professional advice in relation to the FTT.

Worldwide Taxation

Paddy Power Shareholders located in or having a taxable presence in jurisdictions other than Ireland or the United Kingdom may be subject to tax in those jurisdictions and should consult their local tax advisors.

PART VIII: REGULATORY OVERVIEW

1. Introduction

Paddy Power and Betfair operate in a heavily regulated industry across multiple geographical jurisdictions. The area of legal and regulatory compliance continues to evolve in all of their markets. As a result, the industry is subject to uncertainties arising from differing approaches among jurisdictions as to the determination of where betting and gaming activities take place and which authorities have jurisdiction over such activities. Compliance with the laws and regulations in place in each jurisdiction is a key risk area monitored and reported on by the Paddy Power and Betfair audit committees.

2. Dependency on Patents, Commercial Contracts, New Processes

Paddy Power has not developed and does not own any patents save for a U.S. patent (U.S. Patent No. 8,651,957) relating to Paddy Power's Betdash product which was decommissioned on 21 November 2014. To the extent that it relies on the patents or processes of third parties, it does so pursuant to the licensing provisions of the vendor agreements with those third parties.

Paddy Power is continuously developing new processes. No one single process is key to the continued operation of the business.

Paddy Power is party to a large number of commercial contracts for the provision of hardware, software, data and facilities. Paddy Power relies on agreements with third parties for gaming software (including casino and poker software) and for its online betting and gaming platform. Paddy Power also purchases broadcast, streaming and data content from multiple third parties and has agreements in place to govern this supply.

3. Paddy Power Licensing Strategy

Paddy Power's strategy is to reach a leadership position in large, regulated markets. The Paddy Power business remains centred on the key growth markets of online and mobile, whilst also maintaining a strong and resilient retail presence to address multi-channel and core retail customer demand.

The material markets for Paddy Power in terms of licensing are the UK, Ireland and Australia as they offer substantial opportunities for growth. According to the Paddy Power 2014 Annual Report and Accounts, over the last three years, Paddy Power's net revenue in these markets has increased annually at an average of 22% in online and 17% in retail. Details of the licensing regimes in these material markets are set out in paragraphs 5 and 6 below. In addition, certain Paddy Power products are licensed by other experienced gambling regulators including the Isle of Man Gambling Supervision Commission ("IOMGSC") and the Alderney Gambling Control Commission ("AGCC").

Paddy Power also holds a number of licences in other less material jurisdictions in keeping with its strategy of operating in regulated markets. A summary of those jurisdictions is set out in the paragraph entitled "Other" below.

For various legal, compliance or commercial reasons, Paddy Power does not permit accounts to be opened by residents of 75 jurisdictions and territories including large countries like China, France, Germany, Spain, Russia and USA (the "Restricted Territories"). The list of Restricted Territories is updated regularly in response to local regulatory developments. The list of Restricted Territories is provided on the Paddy Power website.¹⁹

4. Paddy Power Regulatory Compliance

Paddy Power's legal and compliance functions are responsible for identifying the key regulatory obligations and corresponding controls to be put in place across the Paddy Power Group that are designed to prevent and detect instances of non-compliance with relevant laws and regulations.

As reported in the Paddy Power 2014 Annual Report and Accounts, the Audit Committee reviewed internal audit reports covering compliance with laws and regulations. In addition, Paddy Power's external auditor reports on the results of their procedures which are designed to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.

¹⁹ https://support.paddypower.com/app/answers/detail/a_id/2/~-/restricted-territories-for-paddypower.com.

The above procedures provide the Audit Committee with assurance that sufficiently robust controls are in place to prevent and detect instances of non-compliance with laws and regulations that could have a material impact on the amounts reported in the Paddy Power Group's financial statements.

5. Paddy Power Online—Material Licences

Paddy Power's online operations (including the website www.paddypower.com) are operated and controlled by Paddy Power Isle of Man Limited, Paddy Power Online Limited and Paddy Power Services Limited, which are wholly owned subsidiaries of Paddy Power Holdings Limited, which in turn is wholly owned by Paddy Power plc. Paddy Power holds licences from regulatory authorities across multiple geographical jurisdictions. The following licences are the most material to its online business:

UK

Paddy Power's online customers who are based in Great Britain are offered online gambling services under a licence granted by the UKGC.²⁰

The United Kingdom Gambling (Licensing and Advertising) Act 2014 came into force on 1 November 2014 and requires all remote gambling operators transacting with and/or advertising to British consumers to hold a UKGC licence. Further, from 31 March 2015, all gambling software suppliers manufacturing, adapting, supplying or installing remote gambling software were required to be licensed by the UKGC. Paddy Power is licensed by the UKGC and its business is subject to robust regulatory and licensing obligations set out in the Licence Conditions and Codes of Practice (which includes the Remote Technical Standards of the UKGC) (the "**Licensing Conditions**"). The UKGC has a range of informal and formal powers to investigate non-compliance with the Licensing Conditions and can impose a number of penalties to ensure compliance with the Licensing Conditions (e.g. issuing a warning, attaching a condition, suspension, revocation and imposing a fine). The UK Government has also put in place voluntary arrangements with payment providers to block transactions from unlicensed operators.

The UKGC is currently conducting a review of Paddy Power's adherence to the Licensing Conditions in relation to a small number of customers in the retail and online business. The review is being undertaken under the UKGC's licensing objectives of preventing gambling being a source of crime and protecting the vulnerable. The UKGC has a range of enforcement powers which it may exercise following a review which include the power to suspend or revoke a licence and/or to impose a financial penalty. The outcome of the review, which is expected to conclude shortly, is currently unknown and as such it is not possible to determine the potential impact on the Paddy Power business.

Ireland

Online Betting: The Betting (Amendment) Act 2015 (the "**2015 Act**") came into operation in Ireland on 15 April 2015 and introduced a new online licensing requirement for remote bookmakers and remote betting intermediaries from 1 August 2015. The main purpose of the 2015 Act is to bring betting intermediaries (i.e. betting exchanges such as Betfair) and remote bookmakers (i.e. internet and mobile betting providers such as Paddy Power) within the scope of Ireland's licensing regime, and to extend the 1% turnover tax on land-based bookmaker's activities to online and mobile bookmakers (with a separate rate of tax applicable to remote betting intermediaries). Paddy Power was awarded a two year remote betting licence under the new licensing regime in August 2015.

Online Gaming: Ireland does not currently regulate remote gaming operators. Accordingly, Paddy Power offers online gaming products to Irish residents pursuant to its Isle of Man and Alderney licences. A more comprehensive reform of gambling law in Ireland may be introduced in the coming years. The heads of a Gambling Control Bill were published in draft in 2013 and the Gambling Control Bill is listed on the Irish Government's current legislation programme. If and when the Gambling Control Bill is passed, it will alter the environment for gambling products in Ireland. At this early stage, it is difficult to say whether this will have a positive or negative impact on Paddy Power's Irish online gaming business.

²⁰ Paddy Power holds a Remote Licence from the UKGC, under reference no: 38939 details of which are available at the following link: <https://secure.gamblingcommission.gov.uk/gccustomweb/PublicRegister/PRAc countDetails.aspx?accountNo=38939>

Australia

Paddy Power's online operations in Australia are conducted through its subsidiary, Sportsbet Pty Ltd, which trades as sportsbet.com.au. Sportsbet is one of Australia's leading online wagering operators, with over 1 million customers. It accounts for approximately 23% of the Australian online wagering market (more than any other operator) and employs over 600 people in Australia. Sportsbet is licensed in the Northern Territory, Australia by the Northern Territory Racing Commission to accept bets online and via telephone. Sportsbet does not offer gaming or casino type services.

Isle of Man

Paddy Power Holding Limited holds a licence to operate sportsbetting and online gaming from the IOMGSC. This licence is used to offer sportsbetting and gaming products to its online customers excluding those based in Greece, Italy and the Restricted Territories.

Alderney

Paddy Power Services Limited (Alderney) holds a Category 1 eGambling Licence issued by the AGCC. Paddy Power uses this licence to offer casino, bingo, live casino and poker related products to its online customers who are not based in Greece, Italy or the Restricted Territories.

Paddy Power complies with the requirements of the AGCC with regards to safeguarding customers' moneys and these are reported to the relevant regulatory authority on a regular basis.

Other

Italy

The Italian branch of Power Leisure Bookmakers Limited holds a remote gaming licence granted by the Agenzia delle Dogane e dei Monopoli, previously known as Amministrasione Autonoma dei Monopoli di Stato.

Greece

Paddy Power is regulated by the Hellenic Gaming Commission to provide betting and gaming services in Greece.

US

In light of the federal restrictions on online gambling in the Unlawful Internet Gaming Enforcement Act of 2006, the United States is treated by Paddy Power as a Restricted Territory. However, in 2012, Paddy Power North America Inc. was granted a preliminary finding of suitability by the Nevada Gaming Control Board. In addition, Paddy Power North America Inc. has applied to the State of New Jersey Division of Gaming Enforcement for a Casino Service Industry Enterprise License. That application is still pending.

6. Paddy Power Retail—Material Licences

UK

In the UK and Ireland, Paddy Power operates retail shops which contributed 22% of its operating profit in 2014. Paddy Power's retail business in the UK is regulated and licensed by the UKGC. The Paddy Power entity which holds its betting licence in the UK is Power Leisure Bookmakers Limited.

The UKGC has launched a number of recent initiatives which indicates a shift in policy focus towards player protection. In March 2014, Paddy Power implemented the Association of British Bookmakers' Code for Responsible Gambling and Player Protection, including additional measures to enable UK retail customers to set limits on the time and money spent on gaming machines from January 2015. The UK Department for Culture, Media & Sport published a paper on Gambling Protection and Controls in April 2014. This included new mechanisms affecting players wishing to stake over £50 in a single play on gaming machines from 6 April 2015. In December 2014, the Responsible Gambling Trust's research on gaming machines was released and Paddy Power is reviewing its responsible gambling policies in light of the findings on the indicators of harmful activity.

Ireland

Paddy Power's Irish retail business is regulated under the Betting Act 1931 (as amended). Each bookmaker shop and bookmaker in Ireland is required to be licensed.

The activities which can take place in licensed premises are restricted to bookmaking. Gaming machines such as fixed online betting terminals of the type found in Paddy Power's UK retail shops are generally considered to be unlawful in Ireland.

The Betting Act 1931 was recently amended by the Finance Act 2014 which extended the permitted opening hours of bookmaker's shops and allowed them to open on Sundays for the first time.

On 15 July 2013, the Irish Government published a general scheme for a Gambling Control Bill. The general scheme is the first step in the preparation of draft legislation which, if enacted, would modernise Ireland's legislative framework for all types of online and land-based gambling. In respect of Paddy Power's retail business, the proposed legislation could expand the range of activities which may be carried out on licensed premises. It may also permit the establishment of small casinos for the first time under Irish law. This may have an impact on Paddy Power's retail offering.

Northern Ireland

Paddy Power operates 8 regulated bookmaker's shops in Northern Ireland.

7. Material Business to Business Operations

Paddy Power currently has business-to-business arrangements in Canada, France, Slovakia, Spain and the Czech Republic. In France, it has a sports betting partnership with Europe's largest betting company, PMU. In Canada, it is in partnership with the British Columbia Lottery Corporation. In 2011, Paddy Power was granted a Gaming Service Provider (Class B Supplier) Licence by the Gaming Policy and Enforcement Branch of British Columbia, Canada.

Paddy Power's business-to-business operations give its partners the ability to offer online sporting betting under their own brand and retain direct management of their client database, while using Paddy Power's fixed-odds risk management and pricing skills and experience.

8. Betfair Licensing Strategy

Betfair's licensing strategy is designed to facilitate investment in, and achieve revenue growth from, sustainable markets, being those jurisdictions where online betting and gaming is properly regulated and taxed. Betfair has made consistent progress on delivering on this licensing strategy in recent years. In the financial year ended 30 April 2015, revenue from sustainable markets increased by 27% and contributed 82% of Betfair's total revenue (compared to 78% in the financial year ended 30 April 2014 and 72% in the financial year ended 30 April 2013). This strategy has thus reduced the regulatory risks faced by the business.

The material licensing jurisdictions for Betfair are the UK, the US and Malta as these markets offer the best opportunities for growth. For example Betfair's US revenue grew by 29% to £58.8m in the financial year ended 30 April 2015 from £45.7m in the financial year ended 30 April 2014. Details of licences relating to these jurisdictions are set out in paragraph 10 below.

Betfair also holds a number of licences in other, less material, jurisdictions in keeping with its strategy of operating in regulated markets. Details of licences relating to these jurisdictions are set out in paragraph 11 below.

9. Betfair Regulatory Compliance

Betfair's legal, compliance and regulatory affairs teams are responsible for identifying the key regulatory obligations and corresponding controls to be put in place across the Betfair Group. These processes are designed to prevent and detect instances of non-compliance with relevant laws and regulations.

The regulatory affairs team monitors all unregulated European countries, as well as strategically relevant countries outside the EU to understand any regulatory developments and to determine whether or not Betfair can accept bets from a particular territory. This monitoring is carried out both internally and in conjunction with local advisers (local lawyers and public affairs agencies).

Betfair's determination, as to whether or not to target and accept customers in a given territory is made on the basis of its measured and prudent approach to legal and regulatory compliance, and is based on a number of factors which include:

- whether the territory has a clear online gambling ban carrying the risk of criminal sanctions, such as those in the US or France;
- the availability of legal justifications for taking bets in the territory, including any EU law arguments; and
- whether a territory has regulated its markets in a hostile or commercially unattractive manner, for example where Betfair cannot apply for a licence or the taxation and/or regulatory regime makes taking bets commercially unviable.

Any territory where Betfair does not permit accounts to be opened by residents is included as part of the "Geographical Restrictions" document that outlines a list of restricted countries. This is owned by the regulatory affairs team (who advise on the legal position) and maintained and updated by the compliance team (who advise the product/technology and operational teams on how to implement these requirements).

Betfair's regulatory compliance activities are regularly reviewed by the Betfair audit committee to ensure that Betfair has the correct controls and processes in place.

10. Betfair—Material Licences

Betfair's betting and gaming business (including the website www.betfair.com) is operated and controlled by a number of group companies who are all wholly owned subsidiaries of The Sporting Exchange Limited, which in turn is wholly owned by Betfair. The Betfair Group holds licences from regulatory authorities across multiple geographical jurisdictions as set out below.

Great Britain

Various companies in the Betfair Group are licensed by the UKGC to offer the main categories of betting and gaming services (e.g. sports betting, casino, poker, bingo and virtual sports), as well as software development services.

US

ODS Technologies LP (trading as TVG) is licensed in the US to offer pari-mutuel betting (Advanced Deposit Wagering and Tote products) on horseracing in 18 US States.

Betfair Interactive US LLC is licensed by the State of New Jersey in the US to offer its online casino games to New Jersey residents.

Malta

Various companies in the Betfair Group are licensed by the Malta Gaming Authority to offer the main categories of betting and gaming services (e.g. sports betting, casino, poker, bingo and virtual sports) to Betfair customers, excluding those based in nationally licensed or in geographical restricted territories.

11. Betfair—Non-Material Licences

The following is a non-exhaustive list of licences held by companies in the Betfair Group.

Bulgaria

Polco Limited is regulated by the Bulgarian State Gambling Commission to provide sports betting and gaming services in Bulgaria.

Denmark

Betfair International plc is regulated by Spillemyndigheden (the Danish Gaming Authority) to provide sports betting and gaming services in Denmark.

Gibraltar

TSE (Gibraltar) LP holds a remote gambling licence from the Gibraltar Gambling Commissioner.

Ireland

Betfair Counterparty Services Limited and Betfair International plc are licensed by the Irish Revenue Commissioners to provide sports betting services in Ireland.

Italy

Betfair Italia Srl is regulated by the Agenzia delle dogane e dei monopoli to provide sports betting and gaming services in Italy.

Romania

Betfair International plc is regulated by the Romanian National Office of Gambling to provide sports betting and gaming services in Romania.

Spain

Betfair International plc is regulated by the Dirección General de Ordenación del Juego to provide sports betting and gaming services in Spain.

PART IX: ADDITIONAL INFORMATION

1. Responsibility

Paddy Power and the Paddy Power Directors and the Proposed Directors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of Paddy Power and the Paddy Power Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on Paddy Power

Paddy Power was incorporated and registered in Ireland as a private limited company on 8 April 1958 with registered number 16956 under the name Corcoran's Management Limited. It re-registered as a public limited company on 15 November 2000 and it changed its name to Paddy Power plc on 26 April 2002.

The Ordinary Shares were admitted to listing on the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange on 7 December 2000.

The principal legislation under which Paddy Power operates, and under which the New Paddy Power Betfair Shares will be issued, is the Companies Acts and the regulations made thereunder.

The registered office of Paddy Power is, and following Completion the registered office of Paddy Power Betfair will be, Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04 V97Z, Ireland (Tel: + 353 (1) 905 1000).

The liability of the shareholders of Paddy Power is limited to amounts, if any, unpaid on the shares issued to them.

The financial year end of Paddy Power is 31 December.

Paddy Power is domiciled in Ireland and resident in Ireland for tax purposes.

KPMG Chartered Accountants, whose address is 1 Stokes Place, St. Stephen's Green, Dublin 2, has been appointed as the auditors of Paddy Power.

3. Share capital of Paddy Power

Authorised and Issued Share Capital

As at the date of this Prospectus, Paddy Power has one class of shares in issue, having a nominal value of €0.09 per share, namely the Ordinary Shares.

As at the Latest Practicable Date, the authorised and issued share capital of Paddy Power, all of which is fully paid up, is as follows:

<u>Class of Shares</u>	<u>Authorised number</u>	<u>Issued and fully paid number</u>
Ordinary Shares of €0.09 each	77,777,777	44,054,597

As at 1 January 2014 there were 50,977,085 Ordinary Shares outstanding and as at 31 December 2014 there were 51,104,700 Ordinary Shares outstanding.

Share Capital After the Merger

Assuming there is no change to the authorised share capital of Paddy Power after the date of this Prospectus and prior to Admission (pursuant to which Paddy Power is applying for 39,542,456 Ordinary Shares to be Admitted), immediately following Admission, the authorised and issued share capital of Paddy Power Betfair, all of which will be fully paid up, is expected to be as follows:

<u>Class of Shares</u>	<u>Authorised number</u>	<u>Issued and fully paid number</u>
Ordinary Shares of €0.09 each	150,000,000	83,597,053

Share Capital History

Ordinary Shares allotted in 2012, 2013, 2014 and 2015 until the Latest Practicable Date were as follows:

Number of issued shares (including Treasury Shares)	Number of Ordinary Shares
At 1 January 2012	50,725,021
Ordinary Shares issued 2012	125,827
At 31 December 2012	50,850,848
Ordinary Shares issued 2013	126,237
At 31 December 2013	50,977,085
Ordinary Shares issued 2014	127,615
At 31 December 2014	51,104,700
Ordinary Shares issued 2015	27,784
At Latest Practicable Date	46,020,197 ²¹

Paddy Power distributed the following dividends/payout over the years ended 31 December 2014, 2013 and 2012:

	Financial year ended 31 December (in Euro)		
	2014	2013	2012
Interim dividend per share (total)	0.5 (24,599)	0.45 (22,104)	0.39 (19,122)
Final dividend per share (total)	0.9 (44,392)	0.81 (39,803)	0.7 (34,355)
Total Dividends	<u>68,991</u>	<u>61,907</u>	<u>53,477</u>

Treasury Shares

As at 31 December 2014, the Paddy Power Group held 2,184,000 Ordinary Shares as Treasury Shares, the aggregate nominal value of which was €218,400, and the book value of which was €57,502,000. As at the Latest Practicable Date, Paddy Power held 1,965,600 Ordinary Shares as Treasury Shares.

Convertible and Exchangeable Securities and Capital Increases

Paddy Power has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue.

Other than in connection with the Paddy Power Share Schemes, no share capital of Paddy Power or any of its subsidiaries is under option or subject to a conditional or unconditional agreement to grant an option thereover. Other than in connection with the Paddy Power Share Schemes, there are no acquisition rights and or obligations over authorised but unissued capital of Paddy Power, or undertakings to increase the capital.

Paddy Power Shareholder share capital authorities to be proposed at the Paddy Power EGM

The following resolutions (together with other resolutions not relating to share capital) are set out in the Paddy Power Circular sent to Paddy Power Shareholders on or around the date of this Prospectus and it is proposed that these resolutions will be voted on at the Paddy Power EGM in connection with the Merger:

THAT:

1. As an ordinary resolution

“That, subject to and conditional on the passing of resolutions 2, 3 and 5, set out in this Notice, the proposed recommended all-share merger between the Company and Betfair Group plc (the “Merger”), which constitutes a class 1 transaction for the purpose of the Listing Rules of the Irish Stock Exchange and the Listing Rules of the UK Listing Authority, as described in Part II of the circular of the Company dated 27 November 2015 (the

²¹ The difference between the total number of Ordinary Shares outstanding at 31 December 2014 plus the Ordinary Shares issued during 2015 and the total number of Ordinary Shares outstanding at the Latest Practicable Date arises because Paddy Power carried out a share capital reorganisation in H1 2015 whereby Paddy Power shareholders received 9 ordinary shares for 10 Ordinary Shares then held by them in connection with a return of capital via a “B Share Scheme”. Full details of the “B Share Scheme” are outlined in Note 16 to the Paddy Power 2015 Interim Results Announcement which is incorporated by reference.

“**Circular**”) of which this notice forms part, be and is hereby approved and the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised:

- (a) to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as the directors consider necessary, desirable or expedient to implement, or otherwise in connection with, the Merger; and
- (b) to agree such modifications, variations, revisions, waivers, extensions, additions or amendments to any of the terms and conditions of the Merger and/or to any documents relating to it, as the directors (or any duly authorised committee thereof) may in their absolute discretion think fit, provided such modifications, variations, revisions, waivers, extensions, additions or amendments are not of a material nature.”

2. As an ordinary resolution

“That, subject to and conditional on the passing of resolutions 1, 3 and 5, set out in this Notice, the authorised share capital of the Company be increased from 77,777,777 ordinary shares of €0.09 each (“**Ordinary Shares**”) to 150,000,000 Ordinary Shares by the creation of 72,222,223 Ordinary Shares, such Ordinary Shares having the rights and being subject to the restrictions set out in the Articles of Association (the “**Articles**”) of the Company.”

3. As an ordinary resolution

“That, subject to and conditional on the passing of resolutions 1, 2 and 5, set out in this Notice and, in the case of paragraphs (b) and (c), subject to and conditional also on Completion of the Merger, the directors be and are hereby generally and unconditionally authorised in substitution for all existing authorities to exercise all powers of the Company to allot and issue all relevant securities (within the meaning of section 1021 of the Companies Act 2014) and Treasury Shares (as defined in Section 1078 of the Companies Act 2014) up to:

- (a) an aggregate nominal amount of €3,558,821.04 (39,542,456 Ordinary Shares) (being equivalent to approximately 89.76% of the aggregate nominal value of the issued share capital of the Company at close of business on 25 November 2015), being the shares to be allotted pursuant to the Merger;
- (b) an aggregate nominal amount of €2,482,832.47 (27,587,027 Ordinary Shares) being equivalent to approximately 33% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion; and
- (c) in connection with an allotment pursuant to an offer by way of a Rights Issue (as defined in Resolution 4) an aggregate nominal amount of €4,965,664.95 (55,174,055 Ordinary Shares) (after deducting from such limit any relevant securities allotted under paragraph (b) above) being equivalent to approximately 66% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion.

The authority hereby conferred shall expire at the earlier of the date of the next Annual General Meeting of the Company or 20 June 2017 unless previously renewed, varied or revoked by the Company in general meeting. Provided, however, that the Company may make an offer or agreement before the expiry of this authority, which would or might require any such securities to be allotted or issued after this authority has expired, and the directors may allot and issue any such securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.”

4. As a special resolution

“That, subject to and conditional on Completion of the Merger, for the purposes of Article 8(d) of the Articles of Association as in force at the date of this resolution, the directors be and are hereby empowered pursuant to section 1022 of the Companies Act 2014 to allot equity securities (as defined in section 1023 of that Act) and Treasury Shares (as defined in Section 1078 of the Companies Act 2014) for cash, pursuant to the authority conferred by resolution 3 as if sub-section (1) of section 1022 did not apply to any such allotment, provided that, pursuant to Article 8(d)(ii) of the Articles this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (including rights to subscribe for, or convert into, ordinary shares) where the equity securities respectively attributable to the interests of such holders are proportional (as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements

that would otherwise arise, or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or otherwise) (a “**Rights Issue**”); and

- (b) the allotment (otherwise than pursuant to sub-paragraphs (a) above) of equity securities up to a maximum aggregate nominal value of €752,373.48 (8,359,705 Ordinary Shares) being equivalent to approximately 10% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion.

The authority conferred by this resolution shall expire at the earlier of the date of the next Annual General Meeting of the Company or 20 June 2017, unless previously renewed, varied or revoked; provided that the Company may make an offer or agreement before the expiry of this authority, which would or might require any such securities to be allotted after this authority has expired, and in that case, the directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.”

5. As a special resolution

“That, subject to and conditional on the passing of resolutions 1, 2 and 3 set out in this Notice and the approval of the Registrar of Companies, the registered name of the Company be changed from “Paddy Power plc” to “Paddy Power Betfair plc” and the Memorandum and Articles be amended to reflect this change of name and that the directors be and are hereby authorised to take all such actions as they see fit to give effect to this resolution.”

6. As a special resolution

“That, subject to and conditional on the passing of resolutions 1, 2, 3 and 5 set out in this Notice, clause 5 (including the accompanying notes) of the Memorandum of Association of the Company be deleted and replaced with the following new clause 5:

“The share capital of the Company is €13,500,000, divided into 150,000,000 Ordinary Shares of €0.09 each.””

7. As a special resolution

“That, subject to and conditional on the passing of resolutions 1, 2, 3 and 5 set out in this Notice, Article 2 of the Articles be amended to read as follows:

“The share capital of the Company is €13,500,000, divided into 150,000,000 Ordinary Shares of €0.09 each.””

9. As a special resolution

“That, subject to and conditional on Completion of the Merger, to the extent undenominated share capital is created by the Merger:

- (a) the share capital of the Company be reduced by the cancellation of an amount of the undenominated capital standing to the credit of the Company’s share premium account arising from the issuance of the New Paddy Power Betfair Shares (as defined in the Circular) as the directors may determine and the reserve resulting from the cancellation of the undenominated capital shall be treated as profits available for distribution as defined by section 117 of the Companies Act 2014; and
- (b) the directors be and are hereby authorised to determine, on behalf of the Company the amount of such reduction, provided such amount shall not exceed the amount of undenominated capital created by the issuance of the New Paddy Power Betfair Shares, and proceed to seek the confirmation of the High Court to such reduction of share capital or to determine not to proceed to seek the approval of the High Court at all in pursuance of paragraph (a) above.”

10. As a special resolution

“That, subject to and conditional on Completion of the Merger, the Company and/or any subsidiary (as defined by section 7 of the Companies Act 2014) of the Company be and are hereby generally authorised to make market purchases (as defined by section 1072 of the Companies Act 2014) of shares of any class in the Company (the “**Shares**”) on such terms and conditions and in such manner as the directors may determine

from time to time but subject, however, to the provisions of the Companies Act 2014 and to the following restrictions and provisions:

- (a) the maximum number of ordinary shares authorised to be acquired pursuant to this resolution shall not exceed 10% of the issued share capital of the Company immediately following Completion;
- (b) the minimum price (excluding expenses), which may be paid for any Share shall be an amount equal to the nominal value thereof;
- (c) the maximum price (excluding expenses) which may be paid for any Share in the Company (a “**Relevant Share**”) shall be the higher of:
 - (i) the higher of 5% above the average of the closing prices of a Relevant Share taken from the Irish Stock Exchange Daily Official List in Dublin, or the average of the closing prices of a Relevant Share taken from the Official List of the London Stock Exchange, for the five business days prior to the day the purchase is made; and
 - (ii) the amount stipulated by Article 5(1) of the Market Abuse (Buyback and Stabilisation) Regulation (being the value of a Relevant Share calculated on the basis of the higher of the price quoted for:
 - (A) the last independent trade of; and
 - (B) the highest current independent bid or offer for;
 - (C) any number of Relevant Shares on the trading venue where the purchase pursuant to the authority conferred by this resolution will be carried out).

The authority hereby granted shall expire at the earlier of the next Annual General Meeting of the Company or 20 June 2017, unless previously varied, revoked or renewed by special resolution in accordance with the provisions of section 1074 of the Companies Act, 2014. The Company or any such subsidiary may, before such expiry, enter into a contract for the purchase of Shares which would or might be executed wholly or partly after such expiry and may complete any such contract as if the authority conferred hereby had not expired.”

4. Major Shareholders of the Paddy Power Group

The Irish Listing Rules require Paddy Power to notify a Regulatory Information Service of particulars of any interest held by any person in 3% or more of the nominal value of any class of shares carrying voting rights. Paddy Power is the holding company of the Paddy Power Group. As at the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total share capital of Paddy Power:

	Notified holding on Latest Practicable Date	Percentage of total Paddy Power Shares in Issue
The Capital Group Companies Inc.	4,210,994	9.56%
BlackRock	3,856,045	8.75%
David Power	3,472,822	7.88%
Parvus Asset Management	2,904,362	6.59%
MFS Investment Management	2,820,725	6.40%
Marathon Asset Management LLP	1,742,560	3.96%
RBC Global Asset Management Inc.	1,409,180	3.20%

The above listed Shareholders do not have different voting rights.

Paddy Power is not aware of any person who, as at the Latest Practicable Date, directly or indirectly, jointly or severally, exercises or could exercise control over Paddy Power nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Paddy Power.

In so far as known to Paddy Power, there are no arrangements, the operation of which may, at a date subsequent to the date of this Prospectus, result in a change of control of Paddy Power.

As of the Latest Practicable Date, Paddy Power is aware of the following persons or groups of persons holding more than 3% of the total issued share capital of Betfair.

	Notified shareholding on Latest Practicable Date	Percentage of Betfair Shares in Issue
BlackRock	9,972,987	10.73%
MFS Investment Management	7,398,001	7.96%
AXA Framlington Investment Managers	6,830,829	7.35%
Edward Wray	5,850,545	6.29%
The Capital Group Companies Inc.	5,695,111	6.13%
Marathon Asset Management LLP	4,590,928	4.94%
Parvus Asset Management	4,402,975	4.74%
Kames Capital	4,007,793	4.31%
Le Peigne SA	3,548,550	3.82%
JPMorgan Asset Management	2,911,751	3.13%

The above listed Betfair Shareholders do not have different voting rights.

At Admission, the interests of the above-mentioned Shareholders in Paddy Power will be diluted following the issue of New Paddy Power Betfair Shares to Betfair Shareholders. Assuming Admission takes place and that there are no other changes to the holdings of the above Shareholders or to the share capital of Paddy Power and Betfair, it is expected that the Paddy Power Shareholders will own 52%, and the Betfair Shareholders will own 48%, of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies and the following persons or groups of persons will hold more than 3% of the total issued share capital in Paddy Power Betfair:

	Notified holding on Latest Practicable Date	Percentage of Paddy Power Betfair Shares in Issue
BlackRock	8,098,470	9.69%
The Capital Group Companies Inc.	6,633,647	7.94%
MFS Investment Management	5,967,773	7.14%
Parvus Asset Management	4,777,351	5.71%
Marathon Asset Management LLP	3,695,502	4.42%
David Power	3,472,822	4.15%
AXA Framlington Investment Managers	3,136,645	3.75%

5. Dividends and Dividend Policy

Pre-Completion dividend policy

The Boards of Paddy Power and Betfair have agreed to retain their current dividend policies for the period prior to Completion, and that each set of shareholders should receive a dividend for the period prior to Completion. Accordingly, in addition to any dividends in respect of financial periods which have ended prior to Completion, Paddy Power and Betfair Shareholders will respectively receive a closing dividend which will be calculated by referred to the period from the end of the preceding financial period up to Completion. In the event that the Merger has not completed by 30 April 2016, updated information will be announced in relation to respective dividend entitlements.

Paddy Power

As part of the agreed terms of the Merger, Paddy Power Shareholders will receive a Special Dividend of €80 million. The Special Dividend will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the Business Day prior to Completion.

Paddy Power Shareholders will receive a dividend in respect of the financial year ending 31 December 2015 (“**Paddy Power 2015 Dividend**”). The amount of this dividend will be announced in early 2016.

Paddy Power Shareholders will also receive a closing dividend which will be an amount which is equal to the anticipated dividend per Paddy Power Share for the financial year ending 31 December 2016 pro-rated

for the number of days elapsed in the period from 1 January 2016 to Completion (inclusive) (the “**Paddy Power Closing Dividend**”).

Both the Paddy Power 2015 Dividend and the Paddy Power Closing Dividend will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the Business Day prior to Completion.

Paddy Power Shareholders should be aware that they will not be entitled to the Special Dividend, the Paddy Power 2015 Dividend and/or the Paddy Power Closing Dividend if they sell their Paddy Power Shares before the Merger becomes Effective.

Betfair

On 25 November 2015, Betfair announced its interim results in respect of the six months ended 31 October 2015 and announced an interim dividend for that period of 15 pence per Betfair Share (the “**Betfair Interim Dividend**”). The ex-dividend date for the Betfair Interim Dividend is 17 December 2015 and the record date is 18 December 2015.

Betfair Shareholders will also receive a closing dividend which will be an amount which is equal to the anticipated dividend per Betfair Share (excluding the effects of the Merger) for the financial year ending 30 April 2016 pro-rated for the number of days elapsed in the period from 1 May 2015 to Completion (inclusive) less the Betfair Interim Dividend (the “**Betfair Closing Dividend**”).

The Betfair Closing Dividend will be paid to Betfair Shareholders on the Register of Members of Betfair at 6.00 p.m. on the Business Day prior to Completion.

Betfair Shareholders should be aware that they will not be entitled to the Betfair Closing Dividend if they sell their Betfair Shares before the Merger becomes Effective.

Paddy Power Betfair dividend policy

Following Completion, Paddy Power Betfair intends to adopt a progressive dividend policy consistent with the Combined Group’s enhanced growth strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the Paddy Power Betfair Board will target a payout ratio of approximately 50% of the Combined Group’s profit after tax.

The New Paddy Power Betfair Shares issued to Betfair Shareholders pursuant to the Merger will carry the right to all dividends and other distributions declared, made or paid by Paddy Power Betfair on or after Completion (save for the Special Dividend, the Paddy Power 2015 Dividend and the Paddy Power Closing Dividend).

6. Memorandum and Articles of Association

6.1 Objects and Purposes

Clause 3 of the Memorandum of Association provides that Paddy Power’s objects include: to provide betting and gaming services including electronic betting and gaming services together with any other products or services which may be advantageously carried on or provided separately or in conjunction therewith, including the carrying on of the business or businesses of promoters of entertainments, amusements, information services, sports and pastimes and as proprietors, managers or promoters of dance halls, casinos, cinemas, theatres, film studios, radio and television stations, indoor and outdoor sport stadiums, fairgrounds, racecourses, holiday camps and automated coin operated amusements machines in Ireland and elsewhere. The Memorandum of Association grants Paddy Power a range of corporate capabilities to effect these objects.

6.2 Paddy Power Directors

The business of Paddy Power is to be managed by the Paddy Power Directors.

No Paddy Power Director or intending Paddy Power Director shall be disqualified by his office from contracting with Paddy Power either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the other company in which any Paddy Power Director shall be in any way interested be avoided nor shall any Paddy Power Director so contracting or being so interested be liable to account to Paddy Power for any profit realised by any such contract or arrangement by reason of such Paddy Power Director holding that office or of the fiduciary relationship

thereby established. The nature of a Paddy Power Director's interest must be declared by him at the meeting of the Paddy Power Directors at which the question of entering into the contract or arrangement is first taken into consideration, or if the Paddy Power Director was not at the date of that meeting interested in the proposed contract or arrangement at the next meeting of the Paddy Power Directors held after he became so interested, and in a case where the Paddy Power Director becomes interested in a contract or arrangement after it is made at the first meeting of the Paddy Power Directors held after he becomes so interested. A Director shall be entitled (in the absence of some other material interest than is indicated below) to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

- the giving of any security, guarantee or indemnity to him in respect of money lent by him or by any other person to Paddy Power or any of its subsidiary or associated companies or obligations incurred by him or by any other person at the request of or for the benefit of Paddy Power or any of its subsidiary or associated companies;
- the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of Paddy Power or any of its subsidiary or associated companies for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- any proposal concerning any offer of shares or debentures or other securities of or by Paddy Power or any of its subsidiary or associated companies for subscription, purchase or exchange in which offer he is or may be entitled to participate as a register holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected (as defined from time to time by the Irish Listing Rules) with him do not to his knowledge have an interest in 1% or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to members of such company (or of a third company through which such interest is derived) (any such interest being deemed to be a material interest in all circumstances and any such interest being one which he would be required to notify pursuant to Chapter 5 of Part 5 of the Companies Acts as amended by Chapter 4 Part 17 of the Companies Acts if it was an interest in more than the notifiable percentage (defined by section 1052 of the Companies Acts) of such issued shares);
- any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval for taxation purposes by the appropriate Revenue authorities;
- any proposal concerning the adoption, modification or operation of any scheme for enabling employees (including full time executive Paddy Power Directors) of Paddy Power and/or any subsidiary thereof to acquire shares in Paddy Power or any arrangement for the benefit of employees of Paddy Power or any of its subsidiaries under which the Paddy Power Director benefits or may benefit; or
- any proposal concerning the giving of any indemnity pursuant to Article 134 of the Articles or the discharge of the cost of any insurance cover purchased or maintained pursuant to Article 94 of the Articles.

The Paddy Power Directors may exercise all the powers of Paddy Power to borrow or raise money and to mortgage or charge its undertaking, property, assets, and uncalled capital or any part thereof and subject to Part 3 of the Companies Acts to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of Paddy Power or of any third party, without any limitation as to amount.

The ordinary remuneration of the Paddy Power Directors shall not exceed €950,000 per annum or such other amount as may be determined from time to time by an ordinary resolution of Paddy Power and shall be divisible (unless such resolution shall provide otherwise) among the Paddy Power Directors as they may agree, or, failing agreement, equally, except that any Paddy Power Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he has held office. Notwithstanding this, any Paddy Power Director who holds any executive office (including for this purpose

the office of Chairman or Deputy Chairman) or who serves on any committee, or who otherwise performs services which in the opinion of the Paddy Power Directors are outside the scope of the ordinary duties of a Paddy Power Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Paddy Power Directors may determine.

At each annual general meeting of Paddy Power, every Paddy Power Director who has been in office at the completion of each of three successive annual general meetings since he was last appointed or reappointed, shall retire from office. A Paddy Power Director who retires at an annual general meeting may be reappointed, if willing to act. If he is not reappointed (or deemed to be reappointed pursuant to the Articles) he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting. The office of a Paddy Power Director shall be vacated ipso facto if he attains 75 years of age.

Under the Articles, until otherwise determined by a general meeting of Paddy Power the number of Directors shall not be less than four nor more than twelve.

6.3 Shares

Restrictions on the Free Transferability of Shares

There are no agreements between Shareholders that are known to Paddy Power that may result in restrictions on the transfer of securities or voting rights.

Pursuant to Article 35(a) of the Articles, the Paddy Power Directors may, in their absolute discretion and without assigning any reason therefor, decline to register the transfer of a share which is not fully paid or any transfer to or by a minor or person of unsound mind, but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is listed.

Pursuant to Article 35(b) of the Articles, the Paddy Power Directors may also decline to recognise any instrument of transfer unless the instrument of transfer (which is not effected in a manner permitted by Article 34(b) of the Articles) is accompanied by the certificate of the shares to which it relates and such other evidence as the Paddy Power Directors may reasonably require to show the right of the transferor to make the transfer; the instrument of transfer is in respect of one class of share only, the instrument of transfer is in favour of not more than four transferees, and it is lodged at the registered office of Paddy Power or at such other place as the Paddy Power Directors may appoint. The Paddy Power Directors may decline to register any transfer of shares in uncertificated form only in such circumstances as may be permitted or required by the Companies Acts, 1990 (Uncertificated Securities) Regulations, 1996, S.I. No. 68 of 1996 and the Companies Acts, 1990 (Uncertificated Securities) (Amendment) Regulations 2005, including any modification thereof or any regulations in substitution therefore made under section 1086 of the Companies Acts or otherwise and for the time being in force.

In addition to any other right or power of Paddy Power under the Companies Acts and under the Articles, the Paddy Power Directors may at any time give a shareholder a notice requiring that shareholder to notify Paddy Power Directors of his interest in any Ordinary Shares and where a shareholder fails to comply such notice or any notice served under the Companies Acts, the Paddy Power Directors may serve a further notice on the relevant shareholder directing that, amongst other things where the relevant Ordinary Shares represent at least 0.25% of the issued share capital of that class, save in specified circumstances, no transfer of any such shares shall be registered.

Paddy Power from time to time by ordinary resolution may increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe. Save for Treasury Shares, all shares currently issued are held as Ordinary Shares.

Voting

The Articles provide that at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded.

On a poll, every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share carrying voting rights of which he is the holder. On a poll taken at a meeting of Paddy Power or a meeting of any class of members of Paddy Power, a member whether present in person or by proxy, entitled to more than one vote need not if he votes use all his votes or cast all the votes he uses in the same way. A member of Paddy Power shall not be entitled, in respect of any

share held by him, to vote (either personally or by proxy) at any general meeting of Paddy Power unless all amounts payable by him in respect of that share in Paddy Power have been paid. Subject to the provisions of the Companies Acts and the Articles and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands, every member present and in person and every proxy has one vote, so, however, that no individual has more than one vote.

Dividends

Subject to the provisions of the Companies Acts, Paddy Power by ordinary resolution may declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Paddy Power Directors. Subject to the provisions of the Companies Acts, the Paddy Power Directors may declare and pay interim dividends if it appears to them that they are justified by the profits of Paddy Power available for distribution. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

The Paddy Power Directors may deduct from any dividend or other moneys payable to any member in respect of a share any moneys immediately payable by him to Paddy Power in respect of that share. No dividend or other moneys payable in respect of a share shall bear interest against Paddy Power unless otherwise provided by the rights attached to the share. If the Paddy Power Directors so resolve, any dividend which has remained unclaimed for twelve years from the date of its declaration shall be forfeited in favour of Paddy Power and cease to remain owing by Paddy Power.

A general meeting declaring a dividend may direct, upon the recommendation of the Paddy Power Directors, that it shall be satisfied wholly or partly by the distribution of assets (and, in particular, of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways) and the Paddy Power Directors shall give effect to such resolution. Where any difficulty arises in regard to the distribution, the Paddy Power Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof in order to adjust the rights of all the parties and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust rights of all the parties and may vest any such specific assets in trustees, upon trust for the persons entitled to the dividend as the Paddy Power Directors think expedient, and generally may make such arrangements for the allotment, acceptance and sale of such specific assets or fractional certificates, or any part thereof, and otherwise as they may think fit.

Paddy Power has in the past declared an interim dividend when it announced its half year results and a final dividend when it announced its full year results. There is no set dividend rate, and payments are not cumulative. In 2015, the final dividend was paid in May in respect of the financial year ended 31 December 2014 and an interim dividend was paid in September. There is no fixed date on which entitlement to dividend arises or dividends are paid. Paddy Power Shareholders are entitled to participate in dividends and/or distribution of profits in proportion to the capital paid up or credited as paid up on the shares on which the dividend or distribution of profits is paid. When declaring a dividend to non-residents, Paddy Power has previously requested confirmation (in the form of an undertaking, warranty or representation) that the shareholder observed the laws of the relevant territory in respect of the return of cash to a shareholder in that jurisdiction. Paddy Power does not have any set procedures in respect of dividend restrictions for non-resident shareholders.

Distribution of Assets

In the event of Paddy Power being wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively. Provided that this shall not affect the rights of the holders of shares issued upon special terms and conditions.

Conversion, Redemption and Allotment

Paddy Power by ordinary resolution may convert any paid up shares into stock and reconvert any stock into paid up shares of any denomination.

Subject to the provisions of the Companies Acts, any shares may be issued on the terms that they are, or at the option of Paddy Power are, liable to be redeemed on such terms and in such manner as Paddy Power may by special resolution determine. In addition and subject as aforesaid, Paddy Power is hereby authorised to redeem (on such terms as may be contained in, or be determined pursuant to the provisions of, the Articles or a special resolution of Paddy Power) any of its shares which have been converted into redeemable shares. Subject as aforesaid, Paddy Power may cancel any shares so redeemed or may hold them as treasury shares and re-issue such treasury shares as shares of any class or classes or cancel them.

Where the Paddy Power Directors are authorised to allot relevant securities in accordance with section 1021 of the Companies Acts, Paddy Power may at any time and from time to time resolve by a special resolution that the Paddy Power Directors be empowered pursuant to section 1023 of the Companies Acts to allot equity securities (as defined by section 1023 of the Companies Acts) for cash pursuant to their authority to allot relevant securities as if sub-section (1) of section 1022 of the Companies Acts did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with any rights issue, open offer or otherwise in favour of ordinary shareholders (other than those holders with registered addresses outside the State to whom an offer would, in the opinion of the Paddy Power Directors, be impractical or unlawful in any jurisdiction) and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of Paddy Power (including without limitation any holders of options under any of Paddy Power's share option schemes for the time being) where the equity securities respectively attributable to the interests of such ordinary shareholders or such persons are proportionate (as nearly as may be) to the respective number of ordinary shares held by them or for which they are entitled to subscribe or convert into subject to such exclusions or other arrangements as the Paddy Power Directors may deem necessary or expedient to deal with any regulatory requirements, legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and
- (b) the allotment of equity securities (other than pursuant to any such issue as referred to in paragraph (a) above) up to the maximum aggregate nominal value specified in such special resolution;

and such power (unless otherwise specified in such special resolution or varied or abrogated by special resolution passed at an intervening extraordinary general meeting) shall expire at the earlier of the close of business on the date of the next annual general meeting of Paddy Power after the passing of such special resolution or the day which is 18 calendar months after the date of passing of such special resolution, provided that Paddy Power may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Paddy Power Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

On 14 May 2015, the following resolutions were passed at the annual general meeting of Paddy Power:

As an ordinary resolution

“That the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983) up to an aggregate nominal amount representing one third of the issued share capital of the Company provided that this authority shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or 13 November 2016 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

With the commencement of the Companies Act 2014, the authority conferred by this resolution shall be applied as if the reference to Section 20 of the Companies (Amendment) Act, 1983 in this resolution is deemed to refer to Section 1021 of the Companies Act 2014.”

As a special resolution

“That for the purposes of Article 8(d) of the Articles of Association of the Company, the Directors are hereby empowered to allot equity securities (as defined in Section 23 of the Companies (Amendment) Act 1983) for

cash pursuant to and in accordance with the provisions of their authority pursuant to Section 20 of the Companies (Amendment) Act 1983 as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that, pursuant to Article 8(d)(ii), the maximum aggregate nominal value of shares to which this authority relates shall be an aggregate nominal value being equivalent to approximately five per cent of the Company's issued ordinary share capital.

With the commencement of the Companies Act 2014, the authority conferred by this resolution shall be applied as if the references to Sections 20, 23 and 24 of the Companies (Amendment) Act, 1983 in Article 8(d) and in this resolution are deemed to refer to their equivalent provisions in Sections 1021, 1022 and 1023 of the Companies Act 2014."

Please refer to paragraph 3 of this Part IX (*Additional Information*) for the text of the resolutions updating the above authorities which are being proposed at the Paddy Power EGM.

6.4 Variations

Whenever the share capital is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the registered holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the registered holders of the shares of the class, and may be so varied or abrogated either whilst Paddy Power is a going concern or during or in contemplation of a winding-up. The quorum at any such separate general meeting, other than an adjourned meeting, shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and the quorum at an adjourned meeting shall be one person holding shares of the class in question or his proxy.

6.5 Meetings

Paddy Power shall hold in each year a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notices calling it. Not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. All general meetings other than annual general meetings shall be called extraordinary general meetings.

Subject to the provisions of the Companies Acts allowing a general meeting to be called by shorter notice, an annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least twenty-one clear days' notice. Any other extraordinary general meeting shall also be called by at least twenty-one clear days' notice, except that it may be called by fourteen clear days' notice where:

- (a) all registered holders of shares, who hold shares that carry rights to vote at the meeting, are permitted to vote by electronic means either before and/ or at the meeting; and
- (b) a special resolution reducing the period of notice to fourteen clear days has been passed at the immediately preceding annual general meeting, or at a general meeting held since that meeting.

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Except as provided in relation to an adjourned meeting, ten persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporate member, shall be a quorum.

A person shall be entered on the register of members of Paddy Power by the Record Date (being a date and time specified by Paddy Power for eligibility for voting at a general meeting which may not be more than 48 hours before the general meeting to which it relates (provided that Saturdays, Sundays and public holidays shall not be counted in the calculation of such 48 hour period)) specified in respect of a general meeting in order to exercise the right of a member to participate and vote at the general meeting and any change to an entry on the register of members of Paddy Power after the Record Date shall be disregarded in determining the right of any person to attend and vote at the meeting.

6.6 Changes in Capital

The rights conferred upon the member whose name is entered in the register of members of Paddy Power as the holder of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the Articles or the terms of the issue of the shares of that class, be deemed to be

varied by a purchase or redemption by Paddy Power of its own shares or by the creation or issue of further shares ranking *pari passu* therewith or subordinate thereto.

Paddy Power may from time to time by ordinary resolution; (a) increase its share capital; (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (c) subdivide its existing shares, or any of them, into shares of a smaller amount; and (d) cancel any shares which, at the date of passing the resolution, have not been taken or agreed to be taken by any person. Paddy Power, by special resolution, may reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

6.7 Mandatory takeover bids, squeeze-out and sell-out rules

Mandatory Bids

As an Irish company with shares admitted to listing on the Official List of the Irish Stock Exchange and the Official List of the FCA, only the Irish Takeover Panel would monitor and supervise a takeover bid for Paddy Power. The Irish Takeover Rules regulate acquisitions of Paddy Power's securities.

Rule 5 of the Irish Takeover Rules prohibits the acquisition of securities or rights over securities in a company, such as Paddy Power, in respect of which the Irish Takeover Panel has jurisdiction to supervise, if the aggregate voting rights carried by the resulting holding of securities and by the securities the subject of such rights, if any, would amount to 30% or more of the voting rights of that company. If a person holds securities or rights over securities which in the aggregate carry 30% or more of the voting rights, that person is also prohibited from acquiring securities carrying 0.05% or more of the voting rights, or rights over such securities, in a 12 month period. Acquisitions by and holdings of concert parties must be aggregated. The prohibition does not apply to some purchases, including purchases of securities or rights over securities by a single holder of securities (including persons regarded as such under the Irish Takeover Rules) who already holds securities, or rights over securities, which represent in excess of 50% of the voting rights.

Rule 9 of the Irish Takeover Rules provides that where a person acquires transferable securities which, when taken together with transferable securities held by concert parties, amount to 30% or more of the voting rights of a company, that person is required under Rule 9 to make a general offer—a “mandatory offer”—to the holders of each class of transferable, voting securities of the company to acquire their securities. The obligation to make a Rule 9 mandatory offer is also imposed on a person (or persons acting in concert) who holds securities conferring 30% or more of the voting rights in a company and who increases that stake by 0.05% or more in any 12 month period. Again, a single holder of securities (including persons regarded as such under the Irish Takeover Rules) who holds securities conferring in excess of 50% of the voting rights in a company may purchase additional securities without incurring an obligation to make a Rule 9 mandatory offer. There have been no mandatory takeover bids nor any public takeover bids by third parties in respect of the share capital of Paddy Power since its incorporation.

Squeeze Out

The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (the “**2006 Regulations**”) set out a procedure enabling a bidder for an Irish company which has securities admitted to trading on an EU regulated market to acquire compulsorily the securities of those holders who have not accepted a general offer—the “squeeze-out” right—on the terms of the general offer.

The main condition which needs to be satisfied before the “squeeze-out” right can be exercised is that the bidder, pursuant to acceptance of a bid for the beneficial ownership of all the transferable voting securities (other than securities already in the beneficial ownership of the bidder) in the capital of the company, has acquired, or unconditionally contracted to acquire, securities which amount to not less than nine tenths of the nominal value of the securities affected and carry not less than nine tenths of the voting rights attaching to the securities affected.

Sell-Out

The 2006 Regulations also provide for rights of “sell-out” for shareholders in Irish companies which have securities admitted to trading on an EU regulated market. Holders of securities carrying voting rights in the company who have not accepted a bid by way of a general offer for the beneficial ownership of all of the voting securities in the company (other than securities already in the beneficial ownership of the bidder) have a corresponding right to oblige the bidder to buy their securities, on the terms of the general

offer under which the beneficial ownership of the securities of the assenting security holders was acquired by the bidder. The main condition to be satisfied to enable the exercise of “sell-out” rights is that the bidder has acquired, or unconditionally contracted to acquire, securities which amount to not less than nine tenths in nominal value of the securities affected and which carry not less than nine-tenths of the voting rights attaching to the securities affected.

Substantial Acquisition Rules

The Substantial Acquisition Rules are designed to restrict the speed at which a person may increase a holding of voting securities (or rights over such securities) of a company which is subject to the Irish Takeover Rules, including Paddy Power. The Substantial Acquisition Rules prohibit the acquisition by any person (or persons acting in concert with that person) of shares or rights in shares carrying 10% or more of the voting rights in Paddy Power within a period of seven calendar days if that acquisition would take that person’s holding of voting rights to 15% or more but less than 30% of the voting rights in Paddy Power.

Public Takeover Bids

There have been no public takeover bids by third parties in respect of the share capital of Paddy Power as at the Latest Practicable Date.

6.8 Adoption of new Articles

At the Paddy Power EGM, a resolution will be proposed to the Paddy Power Shareholders to adopt the New Paddy Power Betfair Articles of Association with effect from the Effective Date. Please refer to paragraph 3 of this Part IX (*Additional Information*) which sets out the text of the resolution. The new Paddy Power Betfair Articles of Association will include the following new article:

Regulation of Betting and Gaming Activities: Suspension of Rights of Members and Disposal of Shares

(a) Suspension of rights of members

If at any time Paddy Power Betfair determines that a Shareholder Regulatory Event has occurred, it may, in its absolute discretion at any time, by written notice (a “**Shareholder Regulatory Event Notice**”) (as defined in paragraph 6.8(e)) to the holder(s) of any interest(s) in any shares in Paddy Power Betfair to whom a Shareholder Regulatory Event relates (or to whom Paddy Power Betfair reasonably believes it to relate), (the “**Relevant Shares**”) in its absolute discretion with immediate effect (or with effect from such date as is specified in such Shareholder Regulatory Event Notice), suspend one or more of the following rights attaching to such Relevant Shares:

- (i) the right to attend and speak at meetings of Paddy Power Betfair and to vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or to demand and vote on a poll exercisable in respect of any Relevant Shares;
- (ii) the right to receive any payment or distribution (whether by way of dividend or otherwise) in respect of any Relevant Shares; and
- (iii) the right to the issue of further shares or other securities in respect of the Relevant Shares.

(b) Required disposal of Disposal Shares

In addition to the rights described above, if at any time Paddy Power Betfair determines that a Shareholder Regulatory Event has occurred it may, in its absolute discretion at any time, by written notice (a “**Disposal Notice**”) to a holder of Relevant Shares require the recipient of the Disposal Notice or any person named therein as interested in (or reasonably believed to be interested in) shares of Paddy Power Betfair to dispose of such number of shares as is specified in the Disposal Notice (the “**Disposal Shares**”) and for evidence in a form reasonably satisfactory to Paddy Power Betfair that such disposal shall have been effected to be supplied to Paddy Power Betfair within 14 days from the date of the Disposal Notice or within such other period as Paddy Power Betfair shall (in its absolute discretion) consider reasonable. The Company may withdraw a Disposal Notice so given whether before or after the expiration of the period referred to therein if it appears to Paddy Power Betfair that the ground or purported grounds for its service do not exist or no longer exist.

(c) Right of Company to sell Disposal Shares

If a Disposal Notice is not complied with in accordance with its terms or otherwise not complied with to the satisfaction of Paddy Power Betfair within the time specified, and has not been withdrawn, Paddy Power Betfair shall, in its absolute discretion, be entitled, so far as it is able, to dispose (or procure the disposal) of the Disposal Shares at the highest price reasonably obtainable by Paddy Power Betfair or its agents in the circumstances and shall give written notice of any such disposal to those persons on whom the Disposal Notice was served. Subject to all applicable law and regulation, Paddy Power Betfair itself may acquire Disposal Shares. Any such disposal by Paddy Power Betfair shall be completed as soon as reasonably practicable after expiry of the time specified in the Disposal Notice and, in any event, within 90 days after the expiry of the time specified in the Disposal Notice provided that a disposal may be suspended during any period when dealings by the directors in Paddy Power Betfair shares are not permitted by applicable law or regulation but any disposal of Disposal Shares so suspended shall be completed within 30 days after the expiry of the period of such suspension.

(d) Steps to be taken in connection with sale of Disposal Shares

Neither Paddy Power Betfair nor any director, officer, employee or agent of Paddy Power Betfair shall be liable to any holder of or any person having any interest in Disposal Shares disposed of in accordance with the provisions described above or to any other person provided that, in disposing of such Disposal Shares, Paddy Power Betfair acts in good faith within the time periods specified above. For the purpose of effecting any disposal of Disposal Shares held in uncertificated form, Paddy Power Betfair may make such arrangements on behalf of the registered holder of the Disposal Shares as it may think fit to transfer title to those shares through a relevant system (as defined in the 1996 Regulations). For the purpose of effecting any disposal of Disposal Shares held in certificated form, Paddy Power Betfair may authorise in writing any, director, officer, employee or agent of Paddy Power Betfair to execute any necessary transfer on behalf of the registered holder(s) and may issue a new share certificate or other document of title to the purchaser and enter the name of the transferee in the register. The net proceeds of any such disposal shall be received by Paddy Power Betfair whose receipt shall be a good discharge for the purchase money and shall be paid (without interest being payable thereon) to the former registered holder of the Disposal Shares upon surrender by him of all relevant share certificate) or other documents of title in respect of such Disposal Shares. The transferee shall not be bound to see the application of such proceeds and once the name of the transferee has been entered, into the register in respect of the Disposal Shares, the validity of the transfer of the Disposal Shares shall not be questioned. Any delay on the part of Paddy Power Betfair in exercising any or all of its rights under the provisions described above shall not in any way invalidate the transfer of any Disposal Shares made hereunder or any other steps undertaken in connection therewith. Save as otherwise specifically provided by the provisions described above, the manner, timing and terms of any disposal of Disposal Shares by (or on behalf of) Paddy Power Betfair shall be determined by Paddy Power Betfair and Paddy Power Betfair may take advice from such persons as are considered by it to be appropriate as to the manner, timing and terms of any such disposal

(e) Meaning of Shareholder Regulatory Event

For the purposes of the provisions described above, a Shareholder Regulatory Event shall occur if:

- (i) a Gaming Regulatory Authority informs Paddy Power Betfair or any member of its group that any member of Paddy Power Betfair or any person interested or believed to be interested in shares of Paddy Power Betfair is for whatever reason:
 - (A) unsuitable to be a person interested in shares of Paddy Power Betfair;
 - (B) not licensed or qualified to be a person interested in shares of Paddy Power Betfair; or
 - (C) disqualified as a holder of interests in shares of Paddy Power Betfair,

under any legislation regulating the operation of any betting or gaming activity or any activity ancillary or related thereto undertaken or to be undertaken by Paddy Power Betfair or any member of its group or any other company, partnership, body corporate or other entity in which Paddy Power Betfair or any member of its group is interested;

- (ii) a Gaming Regulatory Authority (as defined in paragraph 6.8) by reason, in whole or in part, of the interest of any person or persons in shares of Paddy Power Betfair (or by its belief as to the interest of any person or persons in such shares) has:
 - (A) refused or indicated to Paddy Power Betfair or any member of its group or any other company, partnership, body corporate or other entity in which Paddy Power Betfair or any member of its group is interested that it will or is likely to or may refuse;
 - (B) revoked or cancelled or indicated to Paddy Power Betfair or any member of its group or any other company, partnership, body corporate or other entity in which Paddy Power Betfair or any member of its group is interested that it will or is likely to or may revoke or cancel;
 - (C) opposed or indicated to Paddy Power Betfair or any member of its group or any other company, partnership, body corporate or other business in which Paddy Power Betfair or any member of its group is interested that it will or is likely to or may oppose; or
 - (D) imposed any condition or limitation which may have a material adverse impact upon the operation of any betting or gaming activity or any activity ancillary or related thereto undertaken or to be undertaken by Paddy Power Betfair or other entity in which Paddy Power Betfair or any member of its group is interested, or upon the benefit of which Paddy Power Betfair or any other member of its group derives or is likely to derive from the operation by any other member of its group or any other company, partnership, body corporate, or other entity in which Paddy Power Betfair or any member of its group is interested in any betting or gaming activity or any activity ancillary or related thereto or indicated to Paddy Power Betfair or any member of its group or any such other company, partnership, body corporate or other entity that it will or is likely to or may impose any such condition or limitation, in relation to,

the grant, renewal, or the continuance of any registration, licence, approval, finding of suitability, consent, or certificate required by any legislation regulating (or code of conduct or practice recognised or endorsed by the Gaming Regulatory Authority relevant to) the operation of any betting or gaming activity or any activity ancillary or related thereto undertaken or to be undertaken by Paddy Power Betfair or any member of its group or any other company, partnership, body corporate or other entity in which Paddy Power Betfair or any member of its group is interested, which is held by or has been applied for by Paddy Power Betfair or any member of its group or other such person.

(f) Interpretation of provisions regarding Shareholder of Regulatory Event

For the purpose of the provisions described above

- (i) Paddy Power Betfair may, in determining the reason for any action or potential action of a Gaming Regulatory Authority, have regard to any statements or comments made by any members, officers, employees or agents of the Gaming Regulatory Authority whether or not such statements or comments form part of or are reflected in any official determination issued by the Gaming Regulatory Authority, and may act notwithstanding any appeal in respect of the decision of any Gaming Regulatory Authority;
- (ii) a “**Gaming Regulatory Authority**” means any authority wherever located (whether a government department, independent body established by legislation, a government, self-regulating organisation, court, tribunal, commission, board, committee or otherwise) vested with responsibility (with or without another or others) for the conduct of any betting or gaming activity or any activity ancillary, or related thereto;
- (iii) the board of directors may exercise the powers of Paddy Power Betfair under the provisions described above and any powers, rights or duties conferred by the provisions described above on Paddy Power Betfair and exercisable by the board of directors may be exercised by a duly authorised committee of the board of directors or any person(s) to whom authority has been delegated by the board of directors or any such committee of the board of directors, as applicable;
- (iv) any resolution or determination of, or any decision or the exercise of any discretion or power under the provisions described above by Paddy Power Betfair, the board, a duly authorised committee of the board or any person to whom authority has been delegated thereby shall be final and conclusive and binding on all concerned, and neither Paddy Power Betfair, the board of directors, nor any person acting under the authority thereof shall be obliged to give any reason(s) therefor; and

- (v) “**betting or gaming activity or any activity ancillary or related thereto**” includes (but is not limited to) the provision of online services to customers in connection with such activity or activities and shall include the provision of financial services.

7. Material Subsidiaries

As the Latest Practicable Date, the principal wholly owned subsidiaries of Paddy Power were:

<u>Name</u>	<u>Proportion of share capital held (%)</u>	<u>Country of incorporation</u>
Belgard Management Limited	100	England and Wales
CT Networks Limited	100	Isle of Man
D. McGranaghan Limited	100	Northern Ireland
International All Sports Limited	100	Australia
Paddy Power (Northern Ireland) Limited	100	Northern Ireland
Paddy Power Australia Pty Limited	100	Australia
Paddy Power Call Centre Services Limited	100	Isle of Man
Paddy Power Entertainment Limited	100	Isle of Man
Paddy Power Financials Limited	100	Ireland
Paddy Power Holdings Limited	100	Isle of Man
Paddy Power Isle of Man Limited	100	Isle of Man
Paddy Power Online Limited	100	Isle of Man
Paddy Power Services Limited	100	Alderney
Power Leisure Bookmakers Limited	100	England and Wales
Paddy Power Risk Management Services Limited	100	Isle of Man
Sportsbet Pty Limited	100	Australia
Trintech AOOD	100	Bulgaria

Following the Effective Date, as well as Betfair Group plc (to be re-named Betfair Group Limited), Paddy Power Betfair will have the following additional principal subsidiaries and associated undertakings:

<u>Name</u>	<u>Proportion of share capital held (%)</u>	<u>Country of incorporation</u>
Betfair Casino Limited	100	Malta
Betfair Counterparty Services Limited	100	Malta
Betfair Entertainment Limited	100	Malta
Betfair Games Limited	100	Malta
Betfair Holding (Malta) Limited	100	Malta
Betfair Interactive US LLC	100	United States of America
Betfair International Plc	100	Malta
Betfair Italia S.R.L.	100	Italy
Betfair Limited	100	England and Wales
Betfair Marketing Limited	100	Malta
Betfair Poker Holdings Limited	100	Malta
HRTV Holdco LLC	100	United States of America
HRTV, LLC	100	United States of America
LMAX Limited	31.35	England and Wales
London Multi Asset Exchange (Holdings) Limited	99.79	England and Wales
ODS Holding LLC	100	United States of America
ODS Properties, Inc.	100	United States of America
ODS Technologies LP	100	United States of America
Polco Limited	100	Malta
The Rebate Company LLC	100	United States of America
The Sporting Exchange (Clients) Limited	100	England and Wales
The Sporting Exchange Limited	100	England and Wales
Timeform Limited	100	England and Wales
Trackside Live Productions, LLC	100	United States of America
Tradefair Spreads Limited	99.79	England and Wales
TSE (Gibraltar) LP	100	Gibraltar
TSE (International) Ltd	100	England and Wales
TSE Data Processing Limited	100	Ireland
TSE Development Limited	100	England and Wales
TSE Development Romania S.R.L.	100	Romania
TSE Global Limited	100	England and Wales
TSE Holdings Limited	100	England and Wales
TSE Marketing España, SL	100	Spain
TSE Services Limited	100	Gibraltar
TSE US Holdings LLC	100	United States of America
TSE US LLC	100	United States of America
TSED Unipessoal LDA	100	Portugal
Winslow Four	100	Cayman Islands
Winslow One Limited	100	England and Wales
Winslow Three Limited	100	Cayman Islands
Winslow Two	100	England and Wales

8. Employees

For the year ended 31 December 2014, the Paddy Power Group employed approximately 5,012 employees on an average full-time equivalent basis.

The average number of employees broken down by activity and geographic location for each of the financial years ended 31 December 2012, 2013 and 2014 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Ireland	2,570	2,328	2,166
United Kingdom	1,694	1,474	1,155
Australia	13	13	14
Isle of Man	72	64	34
Italy	560	461	370
Bulgaria	103	82	68
Guernsey	—	—	—
Total	<u>5,012</u>	<u>4,422</u>	<u>3,767</u>

9. Paddy Power Share Schemes

The Paddy Power Group operates share participation plans and savings-related share option schemes for eligible employees in all regions where the regulations permit the operation of such plans. In total there are approximately 157 employees of all categories who are Shareholders.

An overview of the Paddy Power Share Schemes is set out on pages 100 to 105 (Paddy Power Share Schemes for employees) of the 2014 Financial Statements, which are incorporated by reference into this Prospectus.

As at the Latest Practicable Date options are outstanding over Ordinary Shares representing 2.717% of the total Ordinary Shares then in issue.

More information about the effect of the Merger on the Paddy Power Share Schemes is set out in paragraph 7 of Part I (*Information on the Merger*).

The Paddy Power Circular contains a number of resolutions in respect of the adoption of new share based incentive plans. If adopted, the new share based incentive plans will be used by Paddy Power Betfair to incentivise employees following Completion of the Merger and, if approved, will operate in substitution for the existing Paddy Power Long Term Incentive Plan. The proposed share based incentive plans are as follows:

Paddy Power Betfair Long Term Incentive Plan

This plan will allow the issue of share awards and nil cost options to senior executives (including executive directors of Paddy Power Betfair) (which will vest if performance conditions are met over a performance period of at least 3 financial years).

Paddy Power Betfair Medium Term Incentive Plan

The plan will be aimed at incentivising employees (excluding executive directors of Paddy Power Betfair) who would not normally participate in the Paddy Power Betfair Long Term Incentive Plan. Participation in the plan will be at the discretion of the Remuneration Committee with no employee having any guarantee of participation. The plan will allow for the issue of share awards and nil cost options which will vest if performance conditions are met over a performance period of at least two financial years with vesting after a minimum of two years, after the date of grant, with management discretion to flex the vesting periods.

Paddy Power Betfair Deferred Share Incentive Plan

This plan will allow for the mandatory deferral of employee bonuses into shares. Under the terms of the plan, the Remuneration Committee will have the discretion to determine the percentage of any bonus that must be deferred into shares as well as the length of the deferral periods.

Paddy Power Sharesave Scheme

Paddy Power has for many years operated this scheme for employees in Ireland and the UK where it has favourable tax treatment. As a similar plan has existed in Betfair for many years, the scheme will continue to operate after implementation of the Merger and Paddy Power is proposing to extend it to employees located in other jurisdictions. In order to do this, shareholder approval will be sought to amend the Paddy

Power Sharesave Scheme so as to allow for the establishment of sub-plans of such scheme in jurisdictions outside of Ireland on the basis that such sub-plans shall be similar in substance to the Paddy Power Sharesave Scheme but modified to take account of local tax, exchange control or security laws in such jurisdictions. Any shares made available under any such further sub-plans will be treated as counting towards any limits on individual or overall participation under the Paddy Power Sharesave Scheme.

For a more detailed summary of the proposed share based incentive plans, please refer to Appendix I of the Paddy Power Circular.

10. Legal and Arbitration Proceedings

There are no legal or arbitration proceedings, including governmental proceedings, pending or known by the Paddy Power Group to be contemplated involving the Paddy Power Group which may or have had in the recent past a significant effect on the financial position or profitability of the Paddy Power Group taken as a whole.

Following the rejection of an appeal in September 2015 against a one-off tax assessment of sports betting tax by the German tax authorities in relation to the operation of its Betting Exchange in Germany in the period from July to November 2012, Betfair has recently issued appeal proceedings in the German Courts. The basis for this challenge was the decision by the tax authorities in Germany to apply the same principles and methods of calculation of taxation to Betfair's Betting Exchange as are applied to other more traditional online betting companies, the effect of which leads to an effective taxation rate on the operation of Betfair's Betting Exchange of many times the profit derived from such activity. The outcome of this challenge is not yet known, and may not be known for some time. Whilst the maximum potential tax liability could be greater, Betfair has a provision of approximately €2.9 million in its accounts in relation to this claim which the directors believe is sufficient at the current time.

Save as set out above, there are no legal or arbitration proceedings, including governmental proceedings, pending or known by the Betfair Group to be contemplated involving the Betfair Group which may or have had in the recent past a significant effect on the financial position or profitability of the Betfair Group taken as a whole.

11. Material Contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Paddy Power Group and members of the Betfair Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Combined Group; or (b) at any time containing obligations or entitlements which are, or may be, material to the Combined Group as at the date of this Prospectus:

Confidentiality Agreement

Paddy Power and Betfair entered into a mutual Confidentiality Agreement dated 18 August 2015 pursuant to which each of Paddy Power and Betfair has undertaken to keep certain information relating to the Merger and the other party confidential and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force until Completion.

Co-operation Agreement

Paddy Power and Betfair have entered into a Co-operation Agreement dated 8 September 2015 in connection with the Merger. Pursuant to the Co-operation Agreement, Paddy Power and Betfair have agreed to co-operate with each other and to each use its reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy certain of the Conditions, including by accepting the imposition of, or offering, undertakings or commitments by or to the relevant authorities that are acceptable to both Paddy Power and Betfair.

Paddy Power and Betfair have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory clearances and authorisations.

Paddy Power or Betfair may terminate the Co-operation Agreement if the Scheme has not become effective by 30 June 2016, the completion of the Merger becomes illegal or otherwise prohibited, the

Betfair Resolutions which are necessary to implement the Merger are not approved at the Betfair General Meeting, the Paddy Power Resolutions which are necessary to implement the Merger are not approved at the Paddy Power EGM or the Scheme or Merger Offer, as the case may be, is withdrawn or lapses before the specified date.

Paddy Power has the right to terminate the Co-operation Agreement if the Betfair Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Paddy Power or fails to publicly reaffirm, its recommendation of the Merger until such time as the Betfair Resolutions which are necessary to implement the Merger have been approved or if the Betfair Board or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions. Betfair has the right to terminate the Co-operation Agreement if the Paddy Power Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Betfair or fails to publicly reaffirm, its recommendation of the Merger until such time as the Paddy Power Resolutions which are necessary to implement the Merger have been approved or if the Paddy Power Board or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions.

The Co-operation Agreement records Paddy Power's and Betfair's intention to implement the Merger by way of the Scheme, subject to the ability of Paddy Power to proceed by way of a Merger Offer: (i) with Betfair's consent; (ii) if a third party announces a firm intention to make an offer for the issued and to be issued ordinary share capital of Betfair which is recommended by the Betfair Board; or (iii) if the Betfair Board withdraws its unanimous and unconditional approval of the Scheme.

Revolving Credit Facility Agreement

Paddy Power and certain of its subsidiaries entered into a €300 million revolving credit facility agreement dated 18 May 2015 with Barclays Bank PLC as co-ordinating arranger, Barclays Bank PLC and Lloyds Bank PLC as mandated lead arrangers, Lloyds Bank plc as agent and the financial institutions specified therein as original lenders (the "**Facility Agreement**"). The revolving credit facility was made available for a term of five years to fund general corporate purposes of the Paddy Power Group.

The Facility Agreement contains customary representations, undertakings, events of default and prepayment events. Financial covenants apply and are tested twice yearly. Interest is payable at the end of each interest period in respect of the amounts then drawn under the Facility Agreement and is calculated as the aggregate of a margin plus EURIBOR (in the case of a loan in euro), BBSY Bid (in the case of a loan in Australian dollars) or LIBOR. The margin is subject to a margin ratchet based on the ratio of consolidated net borrowings of the Paddy Power Group to consolidated EBITDA of the Paddy Power Group. Commitment fees are chargeable in respect of undrawn commitments and the fee is based on a percentage of the applicable margin. Default interest is chargeable in respect of amounts due but unpaid, as is customary.

Bank Guarantee Agreement

The Sporting Exchange Limited (*TSEL*) and National Westminster Bank plc (acting through The Royal Bank of Scotland plc (the "**Bank**")) entered into a guarantee agreement (the "**Bank Guarantee Agreement**") dated 18 November 2014, under which TSEL may request the Bank to issue guarantees on behalf of itself or any of its subsidiaries as listed in Schedule 1 of the Bank Guarantee Agreement for general business purposes, up to a limit of £20 million.

Acquisition agreement in relation to acquisition of HRTV (now known as TVG2)

TSE US Holdings LLC entered into an acquisition agreement dated 17 February 2015 pursuant to which it acquired the HRTV horseracing television network from the Stronach Group. The television operations of HRTV have been combined with Betfair's TVG network. TSE US Holdings LLC owns 100% of the equity in the unified television platform. As part of the acquisition, TVG acquired broadcast rights to all races from Santa Anita, Gulfstream Park, Pimlico, Golden Gate Fields and Laurel Park for a term of seven years.

TSE US Holdings LLC made an initial payment of \$25.6 million and estimates that it will pay further consideration with a fair value totalling \$30.9 million over the seven-year period, although the total consideration is dependent upon TVG's future handle.

12. Related Party Transactions

The principal related party transactions requiring disclosure in the consolidated financial statements of the Paddy Power Group during the periods covered by the historical financial information (being the 2012 Financial Statements, the 2013 Financial Statements and the 2014 Financial Statements, which are incorporated by reference into this Prospectus pertain to: the existence of subsidiaries and transactions with these entities entered into by the Paddy Power Group; and the identification and compensation of key management personnel.

Other than the information disclosed in the related party note to the Paddy Power 2012 Annual Report and Accounts, the Paddy Power 2013 Annual Report and Accounts and the Paddy Power 2014 Annual Report and Accounts which are incorporated by reference into this Prospectus, no related party transactions of the kind set out in the Standards adopted according to Regulation (EC) No 1606/2002 were entered into by Paddy Power during the relevant periods or during the period between 31 December 2014 and the Latest Practicable Date save for continuing arrangements with directors and key management personnel of the nature disclosed in Note 7 of the Paddy Power 2014 Annual Report and Accounts.

Subsidiaries

The consolidated financial statements of the Paddy Power Group for each financial year, include the financial statements of Paddy Power and its principal subsidiaries as documented in the accounting policies contained in the 2012 Financial Statements, for the year ended 31 December 2012, the 2013 Financial Statements, for the year ended 31 December 2013 and the 2014 Financial Statements, for the year ended 31 December 2014. The Paddy Power Group does not have any joint ventures or associates. Details of the Paddy Power Group's principal subsidiaries, as at the Latest Practicable Date, are set out in Section 7 of this Part IX (*Additional Information*).

Sales to and purchases from, together with outstanding payables to and receivables from subsidiaries are eliminated in the preparation of the consolidated financial statements (either in full or to the extent of the Paddy Power Group's interest) in accordance with IAS 27 (Consolidated and Separate Financial Statements).

13. Property, Plants and Equipment

The Paddy Power Group's head office (located in Dublin), its regional head offices (located in London, Melbourne, Rome, Sofia and the Isle of Man) and the majority of retail stores are leased from third parties. Freehold property is owned by the Paddy Power Group, and comprises part of its retail estate, and is also leased to third parties. The Paddy Power Group's material tangible assets are land and buildings, leasehold improvements, fixtures and fittings, and computer equipment, which had a net book value of €5.1 million, €51.5 million, €52.2 million and €17.7 million respectively at 31 December 2014. These assets are considered to be generally well maintained and in good condition. There are no major encumbrances on any of the Paddy Power Group's material tangible fixed assets (including leased properties).

The Paddy Power Directors believe that its properties are adequate for its present needs and that suitable additional or replacement space would be generally available to the extent required.

The Paddy Power Directors are not aware of any environmental issues that may affect the Combined Group's utilisation of its tangible fixed assets.

14. Research and development

The Paddy Power Group performs research and development activities to ensure that it continues to be a recognised innovator in the betting and gaming industry. These activities support the introduction of new products, the creation of new betting markets, improved online customer experience and the development of better processes and systems. Continued research and development contributes to the Paddy Power Group's future growth and profitability. The Paddy Power Group incurred research and development expenditure (calculated by reference to Irish and Australian research and development tax credit rules) in 2014 of €5.1 million (2013: €4.3 million, 2012: €1.3 million).

15. Working Capital Statement

Paddy Power is, and the Paddy Power Directors are, of the opinion that, taking into account Paddy Power's cash resources and available bank facilities, Paddy Power has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

Paddy Power is, and the Paddy Power Directors and Proposed Directors are, of the opinion that, taking into account the Combined Group's cash resources and available bank facilities, the Combined Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

16. No Significant Change

There has been no significant change in the trading or financial position of the Paddy Power Group since 30 June 2015 (the date to which the latest published financial information of Paddy Power was prepared).

There has been no significant change in the trading or financial position of the Betfair Group since 31 October 2015 (the date to which the latest published financial information of Betfair was prepared).

17. Capitalisation and Indebtedness of Paddy Power

The following table sets out the capitalisation of the Paddy Power Group as at 30 September 2015:

	<u>€m</u>
Total current debt	
Guaranteed	0.0
Secured	0.0
Unguaranteed / Unsecured—Customer balances	72.3
Total non-current debt (excluding current portion of non-current debt)	
Guaranteed—Revolving Credit Facility ²²	225.0
Secured	0.0
Unguaranteed / Unsecured	0.0
	<u>€m</u>
Issued share capital	4.1
Share premium	45.5
Treasury shares	(51.8)
Shares held by long term incentive plan trust	(48.8)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves	30.4

The following table sets out the indebtedness of the Paddy Power Group as at 30 September 2015:

	<u>€m</u>
Cash and cash equivalents	141.0
Financial assets—restricted cash	41.6
Liquidity	182.6
Borrowings	0.0
Other current financial debt—customer balances	(72.3)
Current financial debt	(72.3)
Net current financial indebtedness	110.3
Non-current debt—Revolving Credit Facility	(225.0)
Non-current financial indebtedness	(225.0)
Net financial indebtedness	(114.7)

²² Borrowings under the Revolving Credit Facility are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

18. Consents

Morgan Stanley has given and has not withdrawn its written consent to the publication of this Prospectus with the inclusion of its name and its confirmation of the continued application of its report on the statements of quantified financial benefit set out in Part I (*Information on the Merger*) and its report on the profit forecast set out in Part II (*Overview of Business of the Combined Group*) in the form and context in which they appear. Morgan Stanley has authorised the contents of that part of this Prospectus which comprises its report for the purposes of paragraph 2(2)(f) of Schedule 1 of the Irish Prospectus Regulations and has confirmed that the information contained in that report is in accordance with the facts and contains no omission likely to affect its import.

IBI Corporate Finance has given and has not withdrawn its written consent to the publication of this Prospectus with the inclusion herein of the references to its name in the form and context in which they appear.

KPMG is a member firm of Chartered Accountants Ireland and has given and not withdrawn its written consent to the publication of this Prospectus with the inclusion of its name and its report on the pro forma financial information set out in Part VI (*Unaudited Pro Forma Financial Information*) and the references thereto and its confirmation of the continued application of its report on the statements of quantified financial benefit set out in Part I (*Information on the Merger*) and its report on the profit forecast set out in Part II (*Overview of Business of the Combined Group*) in the form and context in which they are included for the purposes of section 1353 of the Companies Act 2014. KPMG has authorised the contents of that part of this Prospectus which comprises its report for the purposes of paragraph 2(2)(f) of Schedule 1 of the Irish Prospectus Regulations and has confirmed that the information contained in that report is in accordance with the facts and contains no omission likely to affect its import.

19. General

The financial information concerning the Paddy Power Group contained in this Prospectus does not constitute statutory accounts within the meaning of the Companies Acts. The consolidated financial statements of Paddy Power in respect of the three years ended 31 December 2012, 2013 and 2014 were reported on by KPMG, the auditors of Paddy Power, within the meaning of the Companies Act for the period of the historical financial information set out in this Prospectus. Such reports were unqualified reports within the meaning of the Companies Act.

The total costs, charges and expenses payable by Paddy Power in connection with Admission are estimated to be €18.4 million (inclusive of VAT) excluding stamp duty.

The Ordinary Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official Lists and are traded on the regulated markets for listed securities of the Irish Stock Exchange and the London Stock Exchange.

The New Paddy Power Betfair Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such New Paddy Power Betfair Shares may be transferred by means of a relevant system. Where New Paddy Power Betfair Shares are held in certificated form, certificates will be sent to the registered members by pre-paid post. Where New Paddy Power Betfair Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Ordinary Shares have the ISIN IE00BWT64894.

20. Documents available for inspection

Printed copies of the following documents may be inspected at the registered office of Paddy Power and at the offices of Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2, D02 CK83, Ireland and 12 Gough Square, London EC4A 3DW, United Kingdom during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the New Paddy Power Betfair Articles of Association;
- (c) the documents which are incorporated by reference as set forth on the Section "*Documents Incorporated by Reference*";

- (d) the report on pro forma financial information prepared by KPMG contained in Part VI (*Unaudited Pro Forma Financial Information of the Combined Group*) of this Prospectus;
- (e) consent letters referred to in Section 18 of this Part IX (*Additional Information*); and
- (f) this Prospectus.

21. Sources of information

The sources and bases of statements relating to the market position of Paddy Power are set out in this Prospectus where the statement is made. Certain information has been obtained from external publications and, where applicable, the source of such information is stated in this Prospectus where the information is included. Paddy Power confirms that this information has been accurately reproduced and, so far as Paddy Power is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

22. Announcement on the Merger

Paddy Power will make appropriate announcements to a Regulatory Information Service giving details of the Merger and Admission.

This Prospectus is dated 30 November 2015.

PART X: DEFINITIONS

The definitions set out below apply throughout this Prospectus, unless the context requires otherwise.

1996 Regulations	the Companies Act 1990 (Uncertificated Securities) Regulations, 1996, S.I. No. 68 of 1996 and the Companies Act 1990 (Uncertificated Securities) (Amendment) Regulations 2005, including any modification or any regulations in substitution therefore made under section 1086 of the Companies Act 2014 or otherwise and for the time being in force
2010 PD Amending Directive	Directive 2010/73/EU
2012 Financial Statements	the financial information relating to Paddy Power as set out on pages 59–130 of the Paddy Power 2012 Annual Report and Accounts which is incorporated by reference into this Prospectus
2013 Financial Statements	the financial information relating to Paddy Power as set out on pages 57–119 of the Paddy Power 2013 Annual Report and Accounts which is incorporated by reference into this Prospectus
2014 Financial Statements	the financial information relating to Paddy Power as set out on pages 51–131 of the Paddy Power 2014 Annual Report and Accounts which is incorporated by reference into this Prospectus
2015 Performance Based Award . .	an additional replacement award which will be granted in respect of the balance of the awards that is not reflected in the Betfair Fixed Vesting Level which will be capable of vesting in July 2018 according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied
Admission or Admitted	the New Paddy Power Betfair Shares being admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange’s main market for listed securities and the Irish Stock Exchange’s Main Securities Market
Advanced Deposit Wagering or ADW	a facility that accepts pari-mutuel wagers on horse races remotely
AGCC	Alderney Gambling Control Commission
Announcement	the Announcement made pursuant to Rule 2.7 of the City Code on 8 September 2015
Annual Report and Accounts	the audited annual report and accounts of a company for a particular financial period
Arcade	Betfair’s arcade product, which offers a range of casual casino games
Articles	the articles of association of Paddy Power for the time being
Articles of Association	the articles of association of Paddy Power for the time being
AUD and Australian dollar	the lawful currency of Australia
Audit Committee	the audit committee of Paddy Power and following Completion the audit committee of Paddy Power Betfair
the Bank	National Westminster Bank plc acting through The Royal Bank of Scotland plc
Bank Guarantee Agreement	the guarantee agreement between TSEL and the Bank, under which TSEL may request the Bank to issue guarantees on behalf of itself or any of its subsidiaries as listed in Schedule 1 of that agreement for general business purposes, up to a limit of £20 million

BBSY Bid	the Australian interbank market bid rate
Betfair	Betfair Group plc, incorporated in England and Wales with registered number 064897
Betfair 2013 Annual Report and Accounts	Betfair's Annual Report and Accounts for the financial year ended 30 April 2013
Betfair 2014 Annual Report and Accounts	Betfair's Annual Report and Accounts for the financial year ended 30 April 2014
Betfair 2015 Annual Report and Accounts	Betfair's Annual Report and Accounts for the financial year ended 30 April 2015
Betfair 2015 Interim Results Announcement	Betfair's Interim Results Announcement for the 6 months ended 31 October 2014
Betfair 2016 Interim Results Announcement	Betfair's Interim Results Announcement for the 6 months ended 31 October 2015
Betfair Australia	Betfair Australia Pty Limited
Betfair Approved Company Share Option Plan	the approved company share option plan approved by HMRC under reference X102736 and amended by way of resolution of the Betfair Board on 6 October 2010 and subsequently amended by resolution of the Betfair Remuneration Committee
Betfair's Betting Exchange or Betting Exchange	the Betfair betting exchange, which is based on the concepts and systems underpinning an order-based stock exchange model and which enables Betfair customers to bet at odds sought by themselves or offered by other customers instead of against a traditional bookmaker
Betfair Closing Dividend	a closing dividend which will be an amount which is equal to the anticipated dividend per Betfair Share (excluding the effects of the Merger) for the financial year ending 30 April 2016 pro-rated for the number of days elapsed in the period from 1 May 2016 to Completion (inclusive) less the 2016 Betfair Interim Dividend
Betfair Deferred Share Incentive Plan	the deferred share incentive plan adopted on 12 November 2012 by the Betfair Board subsequent to a resolution of the Betfair Shareholders on 11 September 2012, including the 2010 Equity US Subplan to the deferred share incentive plan for United States employees
Betfair Directors or Betfair Board	the board of directors of Betfair at the date of its Prospectus being Gerald Corbett, Breon Corcoran, Alex Gersh, Mark Brooker, Ian Dyson, Zillah Byng-Maddick, Peter Jackson, Leo Quinn and Peter Rigby
Betfair Fixed Vesting Level	the vesting levels of the replacement awards which will be crystallised on grant reflecting the extent to which the Betfair Remuneration Committee considers that the performance conditions applying to the relevant awards would have been satisfied at the end of the original vesting periods

<i>Betfair General Meeting</i>	the general meeting of Betfair Shareholders to be convened in connection with the Scheme to consider, and if thought fit pass, inter alia, the Betfair Resolutions, including any adjournment thereof
<i>Betfair Group</i>	Betfair and its subsidiary undertakings and associated undertakings and, where the context permits, each of them
<i>Betfair Interim Dividend</i>	the interim dividend the Betfair Shareholders will receive for the six month period ending 31 October 2015 of 15 pence per Betfair Share
<i>Betfair Irish Sharesave Plan</i>	the BETsave Ireland Savings-Related Share Option Scheme approved by the Irish Revenue Commissioners on 17 July 2013 and 15 October 2014
<i>Betfair Long Term Incentive Plan</i>	the 2009 long term incentive plan approved by resolution of the Betfair Board on 6 October 2010 and amended on 11 September 2012 and 6 March 2013, including the 2010 Equity US Subplan to the Long Term Incentive Plan for United States employees
<i>Betfair Management Incentive Plan</i>	the management incentive plan approved by resolution of the Betfair Board on 12 August 2009 and amended by way of resolution of the Betfair Board on 6 October 2010
<i>Betfair Option Agreement</i>	the option agreement entered into between Betfair and Breon Corcoran dated 9 January 2015
<i>Betfair Remuneration Committee</i>	the remuneration committee of Betfair for the time being
<i>Betfair Resolutions</i>	the resolutions to be proposed by Betfair at the Betfair General Meeting in connection with, amongst other things, the approval of the Scheme and the amendment of Betfair's articles of association
<i>Betfair Restricted Share Awards Plan</i>	the Betfair Group 2011 restricted share awards plan
<i>Betfair Shareholders</i>	holders of Betfair Shares from time to time
<i>Betfair Shares</i>	fully paid-up ordinary shares of 0.095 pence each in the capital of Betfair: <ul style="list-style-type: none"> (a) in issue at the date of the Scheme Document; (b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and (c) (if any) issued after the Scheme Voting Record Time and on or prior to the Scheme Record Time
<i>Betfair Sharesave Plan</i>	the sharesave plan approved by HMRC under reference SRS102735, as amended on 8 October 2014, including the schedules relating to option holders in each of Gibraltar, Malta, Portugal, Romania and Italy
<i>Betfair Share Schemes</i>	the share option and incentive schemes operated by the Betfair Group, further details of which are set out in the Scheme Document
<i>Betfair's Sportsbook</i>	the Betfair Sportsbook, which is a traditional fixed odds bookmaker, with a margin applied to odds
<i>Betfair Stakeholder Plan</i>	the stakeholder plan approved by the Betfair Board in July 2010
<i>Betfair Unapproved Share Option Plan</i>	the unapproved share option plan as amended by way of resolution of the Betfair Board on 6 October 2010, including the 2010 Equity US Subplan to the Betfair Group Limited Unapproved Share Option Plan 2009 for United States employees
<i>Bingo</i>	one of Betfair's operating segments comprising Betfair Bingo

Board	the Board of Directors of Paddy Power or Paddy Power Betfair (as appropriate)
Bookmaking Risk Committee or Risk Committee	the bookmaking risk committee of Paddy Power and following Completion, the Risk Committee of Paddy Power Betfair
business day	a day, not being a public holiday, Saturday or Sunday, on which banks in the City of London are open for normal business
Cash Out	Betfair’s “cash out” product
Casino	Betfair’s casino product, which offers a range of games of chance such as roulette or blackjack
Central Bank	the Central Bank of Ireland
CGUs	Cash Generating Units
City Code or Code	the City Code on Takeovers and Mergers in the United Kingdom
CJEU	the Court of Justice of the European Union
Combined Group	the combined Paddy Power Group and Betfair Group following Completion
Companies Acts	the Companies Acts 1963 to 2013 of Ireland or, following the commencement of the relevant provisions of the Companies Acts 2014 of Ireland on 1 June 2015 or otherwise, the Companies Act 2014, and every statutory modification and re-enactment of such legislation for the time being in force
Company Secretary	the company secretary of Paddy Power
Completion	the date upon which the Merger becomes Effective
Conditions	the conditions of the Merger as set out in Part III of the Scheme Document
Confidentiality Agreement	the mutual confidentiality agreement entered into by Paddy Power and Betfair on 18 August 2015
Co-operation Agreement	the co-operation agreement entered into by Paddy Power and Betfair on 8 September 2015 in connection with the Merger
Court	the High Court of Justice in England and Wales
Court Hearing	the hearing by the Court to sanction the Scheme
Court Meeting	the meeting or meetings of the Betfair Shareholders as may be convened pursuant to an order of the Court under section 896 of the UK Companies Act for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment approved or imposed by the Court and agreed to by Paddy Power and Betfair) including any adjournment, postponement or reconvention of any such meeting, notice of which shall be contained in the Scheme Document
Court Order	the order of the Court sanctioning the Scheme under Part 26 of the UK Companies Act
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
CREST Regulations	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI 68/1996) of Ireland (as amended) or the Uncertificated Securities Regulations 2001 (SI 2001/3755) as appropriate

<i>Dial-a-Bet</i>	a telephonic betting service provided by Paddy Power
<i>Disclosure and Transparency Rules</i>	the Disclosure and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UKLA's publication of the same name
<i>Disposal Notice</i>	a written notice from Paddy Power Betfair to a holder of Relevant Shares for the purposes article 41 of the New Paddy Power Betfair Articles of Association
<i>Disposal Shares</i>	the shares referred to in a Disposal Notice for the purposes of article 41 of the New Paddy Power Betfair Articles of Association
<i>DWT</i>	dividend withholding tax
<i>EBITDA</i>	earnings before interest, taxes, depreciation amortisation
<i>Effective</i>	the Scheme having become effective pursuant to its terms or, if the Merger is implemented by way of a Merger Offer, the Merger Offer having been declared or having become unconditional in all respects in accordance with the requirements of the City Code
<i>Effective Date</i>	the date upon which the Merger becomes Effective
<i>European Commission</i>	the Commission of the European Union
<i>EU Prospectus Regulation</i>	Commission Regulation (EC) No. 809/2004 of 29 April 2004
<i>EURIBOR</i>	the Euro Interbank Offered Rate
<i>euro, or EUR and €</i>	the lawful currency of Ireland
<i>Exchange Games</i>	Betfair's exchange games product, which comprises a number of card and other casino games on which customers may place bets using a betting exchange style interface
<i>Exchange Ratio</i>	0.4254 New Paddy Power Betfair Shares for each Betfair Share held
<i>Facility Agreement or Revolving Credit Facility</i>	the €300 million revolving credit facility agreement dated 18 May 2015 between Paddy Power and Barclays Bank PLC as co-ordinating arranger, Barclays Bank PLC and Lloyds Bank PLC as mandated lead arrangers, Lloyds Bank plc as agent and the financial institutions specified therein as original lenders
<i>FCA or Financial Conduct Authority</i>	the UK Financial Conduct Authority or its successor from time to time
<i>FIFA</i>	Fédération Internationale de Football Association
<i>Forms of Proxy</i>	the form of proxy in connection with each of the Court Meeting and the Betfair General Meeting, which shall accompany the Scheme Document
<i>FSMA</i>	the Financial Services and Markets Act 2000
<i>FTSE</i>	the FTSE Group
<i>FX</i>	foreign exchange
<i>Gaming</i>	one of Betfair's core operating segments, comprising Betfair Casino, Exchange Games and Betfair Arcade

<i>Gaming Regulatory Authority</i>	for the purposes of article 41 of the New Paddy Power Betfair Articles of Association, any authority wherever located (whether a government department, independent body established by legislation, a government, self-regulating organisation, court, tribunal, commission, board, committee or otherwise) vested with responsibility (with or without another or others) for the conduct of any betting or gaming activity or any activity ancillary, or related thereto
<i>HMRC</i>	HM Revenue & Customs
<i>HRTV</i>	the US horseracing television network now known as TVG2
<i>HTML</i>	hypertext mark-up language
<i>IAS</i>	International Accounting Standards, as adopted by the EU
<i>IASB</i>	International Accounting Standards Board
<i>IBI Corporate Finance</i>	IBI Corporate Finance Limited
<i>IFRS</i>	International Financial Reporting Standards
<i>Irish CGT</i>	taxation of capital gains and corporation tax on chargeable gains
<i>IOMGSC</i>	Isle of Man Gambling Supervision Commission
<i>iOS</i>	iPhone operating system
<i>Irish Listing Rules</i>	the Main Securities Market listing rules and admission to trading rules of the Irish Stock Exchange
<i>Irish Prospectus Regulations</i>	the Prospectus (Directive 2003/71 EC) Regulations 2005 of Ireland
<i>Irish Stock Exchange</i>	the Irish Stock Exchange plc
<i>Irish Takeover Rules</i>	the Irish Takeover Panel Act, 1997, Takeover Rules, 2013
<i>ISIN</i>	International Securities Identification Number
<i>IT</i>	Information Technology
<i>KPMG</i>	KPMG Chartered Accountants, 1 Stokes Place, St. Stephen's Green, Dublin 2
<i>Latest Practicable Date</i>	28 November 2015, being the latest practicable date prior to publication of this Prospectus
<i>LBOs</i>	licenced betting offices
<i>LIBOR</i>	means the British Bankers' Association London Interbank Offered Rate
<i>London Stock Exchange</i>	the London Stock Exchange plc
<i>Long Stop Date</i>	30 June 2016 or such later date as Paddy Power and Betfair may agree in writing, with the Panel's consent and the Court may approve (if such consent and/or approval is required)
<i>Market Abuse Rules</i>	the rules issued by the Central Bank under section 1370 of the Companies Act 2014
<i>Member States</i>	member states of the European Union
<i>Memorandum of Association</i>	the memorandum of association of Paddy Power and, following Completion of the Merger, of Paddy Power Betfair
<i>Merger</i>	the proposed acquisition of the entire issued and to be issued share capital of Betfair by Paddy Power to be effected by the Scheme (or by the Merger Offer in accordance with the terms of the Co-operation Agreement)

<i>Merger Offer</i>	in the event that the Merger is to be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the UK Companies Act, the takeover offer to be made by or on behalf of Paddy Power to acquire the entire issued and to be issued share capital of Betfair and, where the context admits, any subsequent revision, variation, extension or renewal of such offer
<i>MGD</i>	Machine Games Duty
<i>Minister for Finance</i>	Minister for Finance of the Republic of Ireland
<i>Morgan Stanley</i>	Morgan Stanley & Co. International plc
<i>New Paddy Power Betfair Articles of Association</i>	the articles of association of Paddy Power Betfair to be adopted (subject to shareholder approval) on completion of the Merger
<i>New Paddy Power Betfair Shares</i>	the new ordinary shares of €0.09 each in the capital of Paddy Power Betfair to be issued credited as fully paid to Betfair Shareholders pursuant to the Merger
<i>Nomination Committee</i>	the nomination committee of Paddy Power and, following Completion, the nomination committee of Paddy Power Betfair
<i>Official List</i>	the Official List of the FCA or the Official List of the Irish Stock Exchange (as applicable)
<i>Ordinary Shares or Paddy Power Shares</i>	fully paid-up ordinary shares of €0.09 each in the capital of Paddy Power which, following Admission, will include the New Paddy Power Betfair Shares
<i>Paddy Power</i>	Paddy Power plc incorporated in Ireland with registered number 16956
<i>Paddy Power 2012 Annual Report and Accounts</i>	Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2012
<i>Paddy Power 2013 Annual Report and Accounts</i>	Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2013
<i>Paddy Power 2014 Annual Report and Accounts</i>	Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2014
<i>Paddy Power 2014 Interim Results Announcement</i>	Paddy Power's Interim Results Announcement for the 6 months ended 30 June 2014
<i>Paddy Power 2015 Dividend</i>	a dividend the amount of which will be announced in early 2016 in respect of the financial year ending 31 December 2015
<i>Paddy Power 2015 Interim Results Announcement</i>	Paddy Power's Interim Results Announcement for the 6 months ended 30 June 2015
<i>Paddy Power 2015 November Interim Management Statement</i>	the interim management statement of Paddy Power released on 17 November 2015
<i>Paddy Power Betfair</i>	the holding company of the Combined Group from the Effective Date (being Paddy Power plc, proposed to be renamed Paddy Power Betfair plc)

<i>Paddy Power Betfair Deferred Share Incentive Plan</i>	the deferred share incentive plan proposed to be adopted by Paddy Power subject to Paddy Power Shareholder approval at the Paddy Power EGM, as further described in the Paddy Power Circular
<i>Paddy Power Betfair Directors or Paddy Power Betfair Board</i>	the board of directors of Paddy Power Betfair following the consummation of the Merger being Gary McGann, Breon Corcoran, Andy McCue, Alex Gersh, Ian Dyson, Zillah Byng-Maddick, Michael Cawley, Danuta Gray, Peter Jackson, Stewart Kenny, Pádraig Ó Ríordáin and Peter Rigby
<i>Paddy Power Betfair Long Term Incentive Plan</i>	the long term incentive plan proposed to be adopted by Paddy Power subject to Paddy Power Shareholder approval at the Paddy Power EGM, as further described in the Paddy Power Circular
<i>Paddy Power Betfair Medium Term Incentive Plan</i>	the medium term incentive plan proposed to be adopted by Paddy Power subject to Paddy Power Shareholder approval at the Paddy Power EGM, as further described in the Paddy Power Circular
<i>Paddy Power Circular</i>	the circular to be sent by Paddy Power to Paddy Power Shareholders summarising the background to and reasons for the Merger, which will include a notice convening the Paddy Power EGM
<i>Paddy Power Closing Dividend</i> . . .	the closing dividend which will be an amount which is equal to the anticipated dividend per Paddy Power Share for the financial year ending 31 December 2016 (excluding the effects of the Merger) pro-rated for the number of days elapsed in the period from 1 January 2016 until Completion (inclusive)
<i>Paddy Power Directors or Directors of Paddy Power or Paddy Power Board or Board of Paddy Power</i> .	the board of directors of Paddy Power at the date of this Prospectus being Gary McGann, Andy McCue, Cormac McCarthy, Tom Grace, Michael Cawley, Danuta Gray, Uric Jerome, Stewart Kenny and Pádraig Ó'Ríordáin
<i>Paddy Power EGM</i>	the extraordinary general meeting of Paddy Power Shareholders to be convened in connection with the Merger to consider and if thought fit pass, inter alia, the Paddy Power Resolutions, including any adjournment thereof
<i>Paddy Power Fixed Vesting Level</i> . .	the vesting levels of the Paddy Power LTIP Awards which will be crystallised on Completion reflecting the extent to which the Paddy Power Remuneration Committee considers that the performance conditions applying to the relevant Paddy Power LTIP Awards would have been satisfied at the end of the original vesting periods
<i>Paddy Power Group</i>	Paddy Power and its subsidiary undertakings and associated undertakings and, where the context permits, each of them
<i>Paddy Power Investment Committee</i>	the committee (chaired by the Chief Financial Officer) with responsibility for oversight of, and reporting to the Board in relation to the Paddy Power Group's treasury operations
<i>Paddy Power Long Term Incentive Plan</i>	the long term incentive plan adopted by resolution of the shareholders of Paddy Power on 14 May 2013 and amended by way of resolution of the remuneration committee of Paddy Power
<i>Paddy Power LTIP Awards</i>	the awards granted under the Paddy Power Long Term Incentive Plan
<i>PP Messenger</i>	a telephonic betting service provided by Paddy Power

<i>Paddy Power Resolutions</i>	the resolutions to be proposed at the Paddy Power EGM in connection with the Merger, including, inter alia, resolutions to: (i) approve the Merger; and (ii) authorise the issuance of the New Paddy Power Betfair Shares, as set out in the notice of meeting in the Paddy Power Circular
<i>Paddy Power Shareholders</i>	holders of Paddy Power Shares from time to time
<i>Paddy Power Sharesave Scheme</i>	the share option scheme approved by resolution of the shareholders of Paddy Power on 21 November 2000 and amended by way of resolution of the shareholders of Paddy Power on 22 June 2004
<i>Paddy Power Share Option Scheme</i>	the share option scheme approved by resolution of the shareholders of Paddy Power on 21 November 2000 and amended by way of resolution of the shareholders of Paddy Power on 22 June 2004
<i>Paddy Power Share Schemes</i>	the share option and incentive schemes operated by the Paddy Power Group, further details of which are set out on pages 100 to 105 (Paddy Power Share Schemes for employees) of the 2014 Financial Statements, which are incorporated by reference into this Prospectus
<i>Panel or Takeover Panel</i>	the UK Panel on Takeovers and Mergers
<i>PDMR</i>	a person discharging managerial responsibility
<i>POCT</i>	UK Point of Consumption Tax
<i>Poker</i>	Betfair’s poker product, which offers a range of poker games
<i>pounds sterling, GBP and £</i>	the lawful currency of the United Kingdom
<i>Price Rush</i>	Betfair’s “price rush” product
<i>PRA</i>	Prudential Regulation Authority
<i>Proposed Directors</i>	the Betfair Directors who have agreed to become directors of Paddy Power Betfair on or about the Effective Date being Breon Corcoran, Alex Gersh, Ian Dyson, Zillah Byng-Maddick, Peter Jackson, and Peter Rigby
<i>Prospectus</i>	this Prospectus issued by Paddy Power in relation to Admission of the New Paddy Power Betfair Shares to trading on the regulated markets of the Irish Stock Exchange and the London Stock Exchange and approved under the Prospectus Directive
<i>Prospectus Directive</i>	European Parliament and Council Directive 2003/71/EC of 4 November 2003 (and amendments thereto, including Directive 2010/73/EU)
<i>Prospectus Rules</i>	rules issued by the Central Bank from time to time under section 1363 of the Companies Act 2014
<i>PRSI</i>	pay-related social insurance
<i>RCF</i>	Revolving Credit Facility or the Facility Agreement
<i>Record Date</i>	being a date and time specified by Paddy Power for eligibility for voting at a general meeting which may not be more than 48 hours before the general meeting to which it relates (provided that Saturdays, Sundays and public holidays shall not be counted in the calculation of such 48 hour period)
<i>Regulatory Information Service</i>	any of the services set out in Appendix II to the UK Listing Rules
<i>Registrar of Companies</i>	the Registrar of Companies in England and Wales
<i>Relevant Member State</i>	each Member State of the European Economic Area which has implemented the Prospectus Directive

Relevant Shares	the shares held by any Shareholder to whom a Shareholder Regulatory Event Notice is sent for the purposes of article 41 of the New Paddy Power Betfair Articles of Association
Relevant Territory	means (i) a Member State (other than Ireland) or (ii) a country with which Ireland has a tax treaty in force by virtue of section 826(1) TCA or (iii) a country with which Ireland has a tax treaty that is signed and which will come into force once all the ratification procedures set out in section 826(1) TCA have been completed
Remuneration Committee	the remuneration committee of Paddy Power and, following Completion, the remuneration committee of Paddy Power Betfair
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Betfair Shareholders in that jurisdiction (in accordance with Rule 30.3 of the City Code)
Rule 28	rule number 28 of the City Code
Scheme	the proposed scheme of arrangement under Part 26 of the UK Companies Act between Betfair and the Betfair Shareholders in connection with the Merger, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Paddy Power and Betfair
Scheme Document	the document to be sent to Betfair Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme (including the particulars required by section 897 of the UK Companies Act) and containing the notices convening the Court Meeting and the Betfair General Meeting
Scheme Record Time	6.00 p.m. on the business day immediately before the Effective Date
Scheme Voting Record Time	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined, expected to be 6.00 p.m. on the date which is two business days prior to the date of the Court Meeting or any adjournment thereof (as the case may be)
SEC	the US Securities and Exchange Commission
Shareholders	Paddy Power Shareholders or Betfair Shareholders from time to time
Shareholder Regulatory Event	the occurrence of any event referred to in paragraph 6.8(e) of Part IX (<i>Additional Information</i>) for the purposes of article 41 of the New Paddy Power Betfair Articles of Association
Shareholder Regulatory Event Notice	written notice from Paddy Power Betfair to a Shareholder for the purposes of article 41 of the New Paddy Power Betfair Articles of Association
Special Dividend	the €80 million dividend, conditional upon Completion, that will be paid immediately prior to Completion to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the business day prior to Completion
Sportsbook	the betting product offered by traditional bookmakers
subsidiary undertaking	has the meaning given in section 1162 of the UK Companies Act
Substantial Acquisition Rules	the Irish Takeover Panel Act, 1997, Substantial Acquisition Rules, 2007
TCA	Taxes Consolidation Act 1997 of Ireland

<i>Timeform</i>	Betfair’s racing form data division operated by Portway Press Limited, a subsidiary of Betfair
<i>Tote</i>	the operator of a pool betting system often as the holder of an exclusive licence in the relevant jurisdiction. In the United Kingdom this entity is the UK Totalisation Board or “Tote”
<i>Transparency Regulations</i>	the Transparency (Directive 2004/109/EC) Regulations 2007 (SI No. 277 of 2007)
<i>Transparency Rules</i>	the transparency rules issued by the Central Bank under section 1383 of the Companies Act 2014
<i>Treasury or Treasury Shares</i>	shares held as treasury shares as provided for in the Companies Acts
<i>TVG</i>	Betfair’s US online horseracing advanced deposit wagering business
<i>UEFA</i>	the Union of European Football Associations, commonly known by the acronym “UEFA”
<i>UK Companies Act</i>	the Companies Act 2006 (as amended)
<i>UK or United Kingdom</i>	United Kingdom of Great Britain and Northern Ireland
<i>UK Gambling Act</i>	the United Kingdom Gambling Act 2005
<i>UK Listing Authority</i>	the FCA acting for the purposes of Part VI of the FSMA
<i>UK Listing Rules</i>	the rules and regulations made by the FCA under Part VI of the FSMA, and contained in the UK Listing Authority’s publication of the same name (as amended from time to time)
<i>UKGC</i>	the Gambling Commission established under the UK Gambling Act to regulate commercial gambling in the UK
<i>US or United States</i>	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
<i>US dollar, USD and \$</i>	the lawful currency of the United States
<i>USC</i>	Universal Social Charge
<i>US person</i>	as defined in Regulation S promulgated under the US Securities Act
<i>US Exchange Act</i>	the US Securities Exchange Act of 1934
<i>US Securities Act</i>	the US Securities Act of 1933
<i>VAT</i>	Value Added Tax

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