

## APPENDIX - BETSAVE<sup>1</sup> (UK)

### Section 1

This Appendix relates to the outstanding Options under the BETSAVE (the *BETSAVE Options*) you may hold under the following BETSAVE grants.

Grant	Normal Maturity Date	Option Price
BETSAVE 2013	1 November 2016	£8.1667
BETSAVE 2014	1 December 2017	£9.0810

How does the Merger affect my BETSAVE Options?

Ordinarily, BETSAVE Options mature after three years, at which point you can decide if you want to exercise the option and buy Betfair Shares at the option price using your savings.

However, as a result of the Merger, Betfair will become a wholly owned subsidiary of Paddy Power Betfair, the effect of which is that certain action needs to be taken by you in accordance with the rules of the BETSAVE plan. If you do not take any action, your BETsave Options will lapse. You have three choices for your BETSAVE Options. You need to complete the enclosed Election Form(s) to make a choice in respect of each BETsave Option you hold.

Choice 1: Elect to roll over your BETSAVE Options in full and exchange them for options over an equivalent number of Paddy Power Betfair Shares which you can exercise at the normal Maturity Date (the *New Options*), after continuing to save each month until the normal Maturity Date. Your New Options will have the same tax favoured status as the BETSAVE Options they replace.

Choice 2: Elect to exercise a portion of your BETSAVE Options on the Court Sanction date although you will only be able to exercise your options and buy Betfair Shares in line with the savings you have made in the plan at that date. You will lose the tax favoured status of your BETSAVE Options.

Choice 3: Elect to exercise a portion of your BETSAVE Options on or after the Effective date (and within six months after the Court Sanction date). You will be able to continue to save in the plan for up to 6 months and exercise your options and buy Betfair Shares in line with the savings you have made in the plan at that date. You will lose the tax favoured status of your BETSAVE Options.

If you elect Choice 2 or Choice 3, you will pay the current option price to buy Betfair Shares using your savings. However, under the terms of the Merger, your Betfair Shares will be exchanged for Paddy Power Betfair Shares on the same ratio as other Betfair Shareholders - being 0.4254 Paddy Power Betfair Shares for each Betfair Share.

<sup>1</sup> *The Sharesave Plan approved by H. M. Revenue & Customs under reference SRS102735, as amended on 8 October 2014.*

Further details of each Choice are set out below. It is important that you read this information and choose which course of action you wish to take. If you do nothing, your BETSAVE Options will lapse on a date falling six months after the Court Sanction date (the Lapse Date).

The Court Sanction date will be shortly before completion of the Merger (the Effective Date). The exact timing of this is not yet fixed but it is currently expected to occur in the first half of 2016. We will notify you as soon as we have a clearer view of the date of expected completion and accordingly of the Lapse Date.

How do I know how many BETSAVE Options I have?

Your 2014 Options are visible in your online Computershare account and are also detailed on the enclosed Election Form. You can login at [www.computershare.com/Betfair](http://www.computershare.com/Betfair). You will need your Shareholder Reference Number (SRN, which is shown at the top of the cover letter), and PIN. If you have forgotten your PIN please click on the PIN reminder or call Computershare on +44 (0) 370 707 4010 or email them at [betfair@computershare.co.uk](mailto:betfair@computershare.co.uk).

Your 2013 Options are administered by Equiniti. These are detailed on the enclosed Election Form. If you have any queries in relation to your 2013 Options please contact [shareplans@betfair.com](mailto:shareplans@betfair.com).

Choice 1: What happens if I elect to roll over my BETSAVE Options in full (Choice 1)?

If you choose to roll over your BETSAVE Options by ticking Box 1 on the enclosed Election Form, you will receive New Options of equivalent economic value (by reference to the Merger Ratio) as your existing BETSAVE Options.

- Your New Options will be granted over 0.4254 Paddy Power Betfair Shares for every Betfair Share under your existing BETSAVE Options (rounded down to the nearest whole number of Paddy Power Betfair Shares). For example, this means that if you hold a BETSAVE Option over 100 Betfair Shares, it will be replaced with a New Option over 42 Paddy Power Betfair Shares.
- Your New Options will retain the tax favoured status of the BETSAVE Options they replace. This means that there will be no income tax or National Insurance contributions to pay on the roll over of BETSAVE Options in exchange for New Options. You will also not pay income tax or National Insurance contributions if you exercise a New Option over Paddy Power Betfair Shares at (or within six months after) the Maturity Date applicable to that option (which will be the same maturity date as applies to the BETsave Option it replaces). See Section 2 below for a summary of the tax treatment of roll over.
- The option price of your New Options will be calculated on a proportionate basis by dividing the option price of your existing BETSAVE Options by 0.4254 so that the total option price under your New Options will be equivalent to the option price under your existing BETSAVE Options. The option prices for your New Options will be £19.1976 for the 2013 BETSAVE Options and £21.3469 for the 2014 BETSAVE Options.

- Your New Options will have the same Maturity Date as your existing BETSAVE Options.
- You will continue to make the same regular monthly contributions under the savings contract until the Maturity Date of your original BETSAVE Option.
- At the Normal Maturity Date (or, if you miss some monthly contributions, when you have completed the savings contract), you will be able to exercise your New Option in full and buy Paddy Power Betfair Shares. You will be able to either keep your Paddy Power Betfair Shares (and be a shareholder in Paddy Power Betfair) or sell them.
- You will not be under any obligation to exercise your New Option at maturity: you can just take your savings back.
- At the end of your savings contract, any savings that cannot be used to acquire Paddy Power Betfair Shares will be returned to you.
- Your New Options will be subject to the same terms as your existing BETSAVE Options.

#### What if I leave employment after the Merger?

If you choose to roll over your BETSAVE Options the current leaver rules will be retained.

#### Choice 2: What happens if I elect to exercise my BETSAVE Options on the Court Sanction date?

- You will be able to exercise your BETSAVE Options and buy Betfair Shares at that time, but you can only buy the number of Betfair Shares that can be bought at the option price with the savings that you have made up to the time of exercise. Although the date of the Court Sanction is not yet fixed, it is currently expected to occur in the first half of 2016. This would be before the normal Maturity Dates for the 2013 and the 2014 BETSAVE Options. Accordingly, you will not be able to buy all the Betfair Shares you would otherwise have been able to buy at the Maturity Date under your BETSAVE Options.
- By exercising your BETSAVE Options at this time, you will not retain the tax favoured status of your BETSAVE Options. This means that income tax may be due on the exercise of your BETSAVE Options. Please note that this income tax will not be collected through payroll – you will need to pay this directly to HMRC via self-assessment. See Section 2 below for a summary of the applicable tax treatment.
- Any savings not used to purchase Betfair Shares will be repaid to you.
- You can choose to 'hold all' or 'sell all' of the Betfair Shares that you acquire on the exercise of your BETSAVE Options:
  - If you choose to 'hold all' then the Betfair Shares that you acquire will be subject to the terms of the Scheme. They will be transferred to Paddy Power Betfair on the Effective Date and you will then receive the same consideration for your Betfair Shares as other Betfair Shareholders - which is 0.4254 Paddy Power Betfair Shares for each Betfair Share you hold.

- If you elect to 'sell all', the Company will use all reasonable efforts to arrange a sale of all the Betfair Shares you acquire prior to the Effective Date but there can be no guarantee that this will be possible in which case it may be necessary for the resulting Paddy Power Betfair Shares which you will receive under the Scheme to be sold as soon as reasonably practicable on or after the Effective Date.

### Choice 3: What happens if I elect to exercise my BETSAVE Options on or after the Effective Date?

- You will be able to exercise your BETSAVE Options and buy Betfair Shares at that time, but only until the Lapse Date, after which they will lapse (the *Exercise Period*).
- By exercising your BETSAVE Options at this time, you will not retain the tax favoured status of your BETSAVE Options. This means that income tax may be due on the exercise of your BETSAVE Options. Please note that this income tax will not be collected through payroll – you will need to pay this directly to HMRC via self-assessment. See Section 2 below for a summary of the applicable tax treatment.
- You can only buy the number of Betfair Shares that can be bought at the option price with the savings that you have made up to the time of exercise.
- You can continue to make your normal monthly savings during the six month Exercise Period and exercise during, or at the end of, that period if you wish. By continuing to save during the Exercise Period you can increase the number of Betfair Shares you can acquire.
- Although the date for completion of the Merger is not yet fixed, it is currently expected to occur in the first half of 2016. This would be before the normal Maturity Dates for the 2013 and the 2014 BETSAVE Options. Accordingly, you will not be able to buy all the Betfair Shares you would otherwise have been able to buy at the Maturity Date under your BETSAVE Options.
- Any savings not used to purchase Betfair Shares will be repaid to you.
- Under the terms of the Merger, any Betfair Shares that you acquire on or after the Effective Date will be automatically transferred to Paddy Power Betfair and you will then receive the same consideration for your Betfair Shares as other Betfair Shareholders - which is 0.4254 Paddy Power Betfair Shares for each Betfair Share you hold.

### How do I roll over or exercise my BETSAVE Options?

In order to roll over or exercise your BETSAVE Options, you will need to instruct Computershare offline directly by completing the relevant paperwork explained below.

What happens if I take no action?

If you take no action, your BETSAVE Options will lapse on the Lapse Date.

## Election Form(s)

You must complete the relevant enclosed Election Form in respect of each BETsave Option you hold.

## Exercise Form

If you elect Choice 3 then you will also need to complete and submit the Exercise Form to Computershare offline prior to the date on which you wish to exercise. The Exercise Form can be downloaded from your Computershare account or Betfair Today.

## Insiders

If you are an Insider please refer to the separate Insiders Appendix in this pack for important information that may impact your choices.

## Settlement

If you elect Choice 1 - roll over of BETSAVE Options for New Options - option certificates for the New Options you have elected will be provided to you as soon as possible after completion of the Merger.

If you elect Choice 2 or Choice 3 – exercise of BETSAVE Options – if you have chosen to retain your shares (i.e. carried out a “hold all” transaction) then the resulting Paddy Power Betfair Shares which you receive will be automatically transferred to your Computershare nominee account in the case of the 2014 BETSAVE or you will be issued with a paper share certificate for the resulting Paddy Power Betfair Shares in the case of the 2013 BETSAVE.

## Leaving employment

Please note that the choices described above do not apply to any BETSAVE Options that have already lapsed or would otherwise lapse (for example on leaving employment) before you have exercised your BETSAVE Options.

If you leave employment due to injury, disability, redundancy, retirement or death before completion of the Merger, any outstanding BETSAVE Options will be exercisable for up to six months from your leaving date (or for 12 months in the event of death).

If you leave employment before completion of the Merger for any other reason, your BETSAVE Options will lapse immediately upon leaving. You will be able to have all your savings returned to you.

If you elect Choice 3 (exercise on or after the Effective Date and before the Lapse Date) and leave employment due to injury, disability, redundancy, retirement or death during that Exercise Period but before you have exercised your BETSAVE Options your BETSAVE Options will remain exercisable during the Exercise Period (or for 12 months in the event of death). If you leave employment for any other reason, your BETSAVE Options will lapse immediately upon leaving. You will be able to have your savings returned to you.

What if the Merger does not complete?

If the Merger does not happen, for whatever reason, your BETSAVE Options will continue just as they are currently and you will be able to keep saving until the Normal Maturity Date applicable to your BETSAVE Options, subject to the rules of BETSAVE.

## Section 2

### BETSAVE Options - UK tax summary

This Appendix contains a summary of the main UK tax implications of making the choices described in this Appendix for employees of Betfair. The summary is based on existing law and what Betfair and Paddy Power understand to be current HMRC practice as at 31 October 2015. The summary is intended as a general guide only and applies only to participants resident for tax purposes in the UK throughout the time between the date that the BETSAVE Options were granted to them and the time that they are exercised. It does not constitute tax advice to any individual participant. If you are in any doubt about your taxation position or you are a resident or otherwise subject to taxation in a jurisdiction outside the UK and in particular if your tax residency has changed during the period between grant and exercise, you should consult your own tax adviser immediately.

#### Income tax and National Insurance contributions

Choice 1: Roll over your BETSAVE Options into New Options over Paddy Power Betfair Shares

There is no income tax or National Insurance contributions to pay on the roll over of BETSAVE Options in exchange for New Options.

You will also not pay income tax or National Insurance contributions if you exercise a New Option over Paddy Power Betfair Shares at (or within six months after) the Maturity Date applicable to that option (which will be the same maturity date as applies to the BETSAVE Option it replaces). The treatment of "good leavers" before the Maturity Date is described below.

Choice 2 and Choice 3: Exercise your BETSAVE Options

If you elect Choice 2 or Choice 3 in respect of any of the BETSAVE Options you will need to pay income tax on the difference between the market value of the Betfair Shares which you buy on the date you exercise, and the total exercise price paid under the relevant BETSAVE Option to acquire the shares (the *Option Gain*). (There may be a different treatment if you exercise after leaving employment as a good leaver – see below.)

The date of exercise will be the Court Sanction date (when Betfair Shares will still be listed) if you elect Choice 2.

If you exercise your BETSAVE Option on or after the Effective Date (Choice 3), we expect the market value of one Betfair Share for this purpose to be equal to the market value of 0.4254 Paddy Power Betfair Shares as at the time the BETSAVE Option is exercised.

No tax withholding will be applied if you exercise your BETSAVE Options and you will have to pay any income tax that may be payable directly to HMRC. No shares will be sold on your behalf to cover any tax.

There are no National Insurance contributions to pay if you elect to exercise a BETSAVE Option.

### *Good leavers*

If you were to leave employment in the Betfair Group by reason of death, injury, disability, redundancy, retirement or the sale out of the Betfair group of a business or a subsidiary in which you work then you would be treated as leaving for a "good leaver" reason within the rules of the BETSAVE plan.

If you exercise a New Option (where you have elected Choice 1) or a BETSAVE Option (where you have elected Choice 2 or Choice 3) as a result of leaving your employment for a good leaver reason, you will not have to pay income tax on exercise (although capital gains tax may be payable on any disposal of the shares you acquire from the exercise (see below)). Betfair understands that HMRC accept that this treatment may be applied if you elect Choice 3 and exercise a BETSAVE Option after leaving for a good leaver reason during the six-month Exercise Period following the Court Sanction.

### Capital gains tax (CGT)

CGT is chargeable on your aggregate capital gains (less allowable losses) in a tax year to the extent they exceed your CGT annual exemption in the relevant tax year. For the tax year ending 5 April 2016, the annual exemption is £11,100.

The CGT rules are complicated. However, in summary, on the disposal of shares any gain will normally be calculated as the difference (if any) between the disposal proceeds and the "base cost" of the shares being disposed of.

The "base cost" of a Betfair Share acquired on the exercise of a BETSAVE Option will normally be equal to the amount on which tax is payable plus the total option price paid for the shares. The base cost of a Betfair Share acquired on the exercise of a BETSAVE Option should therefore be equal to its market value on the date of exercise. The market value of a Betfair Share acquired from the exercise of a BETSAVE Option on or at any time before the Court Sanction will be derived from the quoted price for a Betfair Share. The market value of a Betfair Share acquired from the exercise of a BETSAVE Option on or after the Effective Date until the Lapse Date, is expected to be derived from 0.4254 of the quoted price for a Paddy Power Betfair Share.

However, for CGT purposes there are share identification rules (described briefly below) that determine which shares you are deemed to have disposed of.

Choice 1: No CGT is payable on the roll over of BETSAVE Options in exchange for New Options. CGT may be payable if you later exercise your New Options and sell the Paddy Power Betfair Shares you receive.

Choice 2: If you exercise your BETSAVE Options on the Court Sanction date and you elect a 'sell all' transaction, the sale of your Betfair Shares will be a disposal for CGT purposes. No chargeable gain is expected to arise if the Betfair Shares are sold on the same day as the BETSAVE Option is exercised. However, whilst the Company will use all reasonable efforts to arrange a sale on this basis there can be no guarantee that this will be possible and it is possible that a chargeable gain (or loss) may arise due to a change in the share price from the date of exercise to the date of the eventual sale.

If you elect to 'hold all', receipt of the Paddy Power Betfair Shares under the Scheme in exchange for the Betfair Shares you have not sold should not be treated for CGT purposes as



a disposal of the Betfair Shares you acquire on the exercise of your BETSAVE Options. CGT may be payable on any later sale of the Paddy Power Betfair Shares you receive.

The exchange of the Betfair Shares which you acquire from the exercise of BETSAVE Options or other options or awards over Betfair Shares under the Betfair Employee Share Plans before the Scheme Record Time for Paddy Power Betfair Shares under the Scheme should be treated as a reorganisation for the purposes of CGT. This means you should not be treated as having made a disposal of your Betfair Shares for CGT purposes as a result of the exchange, and the Paddy Power Betfair Shares issued to you should be treated as the same asset as the relevant Betfair Shares. The Paddy Power Betfair Shares should therefore have the same base cost for CGT purposes as the Betfair Shares they replace. The above treatment will apply only if the exchange is effected for bona fide commercial reasons and does not form part of arrangements of which the main purpose, or one of the main purposes, is an avoidance of a liability to capital gains tax or corporation tax. You are advised in this regard that HMRC has granted clearance under section 138 of the Taxation of Chargeable Gains Act 1992.

#### Choice 3:

If you exercise your BETSAVE Options on or after the Effective Date you will automatically receive Paddy Power Betfair Shares in exchange for the Betfair Shares you acquire on the exercise of your BETSAVE Options. Receipt of the Paddy Power Betfair Shares in exchange for the Betfair Shares should not be treated for CGT purposes as a disposal of those Betfair Shares.

The exchange of the Betfair Shares which you acquire from the exercise of BETSAVE Options for Paddy Power Betfair Shares should be treated as a reorganisation for the purposes of CGT as described above. This means you should not be treated as having made a disposal of your Betfair Shares for CGT purposes as a result of the exchange, and the Paddy Power Betfair Shares issued to you should be treated as the same asset as the relevant Betfair Shares. The Paddy Power Betfair Shares should therefore have the same base cost for CGT purposes as the Betfair Shares they replace. The above treatment will apply only if the exchange is effected for bona fide commercial reasons and does not form part of arrangements of which the main purpose, or one of the main purposes, is an avoidance of a liability to capital gains tax or corporation tax. You are advised in this regard that HMRC has granted clearance under section 138 of the Taxation of Chargeable Gains Act 1992.

If you elect a 'sell all' transaction, the sale of your Paddy Power Betfair Shares will be a disposal for CGT purposes. No chargeable gain is expected to arise if the Paddy Power Betfair Shares are sold on the same day as the BETSAVE Option is exercised.

If you elect a 'hold all' transaction, CGT may be payable on any later sale of the Paddy Power Betfair Shares which you retain.

#### Capital gains tax identification rules

CGT identification rules can, in certain circumstances, affect the calculation of any CGT liability. This is a complex area and you are strongly advised to get specialist independent financial advice. For further information, visit:

<http://www.hmrc.gov.uk/manuals/cgmanual/CG51560.htm>.

### Paying income tax and CGT via self-assessment

Any income tax incurred on the exercise of a BETSAVE Option and any CGT on the disposal of Betfair Shares or Paddy Power Betfair Shares is payable by you to HMRC under self-assessment. No tax withholding will be applied when you exercise your BETSAVE Options. No shares will be sold on your behalf to cover the tax. You are recommended to put aside money to pay any tax due when the time comes.

Under self-assessment rules you are required to provide HMRC with all information needed to calculate your taxable income and any chargeable gains. Even if you do not automatically receive a tax return, you must request one from HMRC.

If these liabilities arise on or before 5 April 2016, the tax would be due to be paid to HMRC by 31 January 2017 at the latest. If they arise on or after 6 April 2016, the tax would be due to be paid to HMRC by 31 January 2018 at the latest. You may be required to make tax payments earlier than these dates if you are liable to make payments on account. If you send in a paper tax return, it must be returned by no later than 31 October after the end of the tax year in which the Option exercise or disposal of shares occurs. If you file your tax return online, you must do so by no later than the following 31 January. For further information, visit [www.hmrc.gov.uk/sa](http://www.hmrc.gov.uk/sa).