

## APPENDIX - Stakeholder Plan<sup>1</sup> – Phantom Options

### Section 1

This Appendix relates to your vested but unexercised Options granted under rule 3.4 of the Stakeholder Plan (the *Phantom Options*).

How does the Merger affect my Phantom Options?

Your Phantom Options are already vested. Ordinarily, your Phantom Options lapse 10 years after the grant date.

However, as a result of the Merger, Betfair will become a wholly owned subsidiary of Paddy Power Betfair. Under the rules of the Stakeholder Plan, your Phantom Options will be exercisable for up to 30 days after the Effective Date (the *Lapse Date*) (i.e. the exercise period will be curtailed).

You have two choices for your Phantom Options. You will need to complete the enclosed Election Form to make a choice.

Choice 1: Elect to exercise your Phantom Options on the Court Sanction date; or

Choice 2: Elect to exercise your Phantom Options on or after the Effective Date and before the Lapse Date.

If you do nothing, the exercise period will be curtailed and any unexercised Phantom Options will lapse on 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 Phantom Options I have?

Your options are all 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).

When can I exercise my Phantom Options?

Your Phantom Options remain exercisable *at any time* (subject to usual restrictions and permissions) until the Lapse Date (30 days after the Effective Date).

Any unexercised Phantom Options will lapse on the Lapse Date (30 days after the Effective Date).

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<sup>1</sup> *The Stakeholder Plan approved by the Betfair Board in July 2010.*

How do I exercise my Phantom Options?

You can log on to your Computershare account any time between now and shortly before the Court Sanction date to exercise your Phantom Options as they have already vested. We will let you know the exact deadline for online exercising of vested Phantom Options in due course.

Choice 1: If you wish to exercise your Phantom Options on the Court Sanction date you need to tick Box 1A on the enclosed Election Form and return it to Computershare offline.

Shortly after the Effective Date, you will receive a cash payment equal to the number of notional Betfair Shares over which your Phantom Option is granted multiplied by the mid-market quotation of a Betfair Share on the trading day immediately before the Court Sanction. Sufficient funds to meet any tax and social security withholding obligations that arise on exercise of your Phantom Options will be deducted from the cash proceeds due to you.

Choice 2: If you wish to exercise your Phantom Options on or after the Merger becomes effective and before the Lapse Date, you need to tick Box 2 on the Election Form and return it to Computershare offline. At the time you choose to exercise your Phantom Options, you will need to instruct Computershare offline directly by completing an Exercise Form.

The effect of exercising during this period is the same as described above save that, you will receive a cash payment shortly after the date of exercise equal to the number of notional Betfair Shares over which your Phantom Option is granted multiplied by 0.4254 of the mid-market quotation of a Paddy Power Betfair Share on the trading day immediately before the date on which you exercise your Phantom Option. Sufficient funds to meet any tax and social security withholding obligations that arise on exercise of your Phantom Options will be deducted from the cash proceeds due to you.

What happens if I take no action?

If you do not take any action, your Phantom Options will lapse on the Lapse Date.

Election Form

The Election Form which is enclosed in this pack must be completed in order for Computershare to be able to complete an exercise transaction at the time that you specify.

Exercise Form

If you choose to exercise your Phantom Options on or after the Effective Date and before the Lapse Date, then you will also need to complete and submit the Exercise Form to Computershare prior to the date on which you wish to exercise. The Exercise Form can be downloaded from your Computershare account or Betfair Today. If you complete the Election Form to indicate that you intend to exercise your Phantom Options on or after the Effective Date and before the Lapse Date and Computershare does not receive your Exercise Form, you will be deemed to have elected to exercise your Phantom Options on the last possible exercise date before the Lapse Date.

## Leaving Betfair employment

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

## What if the Merger does not complete?

If the Merger does not happen, for whatever reason, your Phantom Options will continue just as they are currently and you will be able to exercise them subject to the rules of the Stakeholder Plan.