

## APPENDIX - Long Term Incentive Plan (LTIP)<sup>1</sup>

This Appendix relates to the outstanding Options under the LTIP (the *LTIP Options*) that you may hold under the following LTIP grants:

- LTIP 2013/14
- LTIP 2014/15
- LTIP 2015/16

How does the Merger affect my LTIP Options?

Ordinarily, LTIP Options vest 3 years after the grant date to the extent that performance conditions are met and then can be exercised at any time for up to 7 years (4 years for Irish grants) after the vesting date. They lapse at the end of the exercise period.

However, as a result of the Merger unvested LTIP Options will be treated in the following ways:

- all unvested LTIP Options will automatically be replaced with new Options over a number of Paddy Power Betfair Shares which shall be calculated using the Merger Ratio of 0.4254 Paddy Power Betfair Shares for every one Betfair Share (*New Options*) which will have the same normal vesting dates as your existing LTIP Options.
- 2013/14 and 2014/15 LTIP Options will be replaced with New Options which will be subject to a fixed vesting level of 100% of the shares (save for leavers). In other words the performance conditions will no longer apply to these New Options.
- 2015/16 unvested LTIP Options will be treated in two ways:
  - Your 2015/16 LTIP Option will be time pro-rated from the grant date to the date of completion of the Merger or the date on which the New Option becomes effective (whichever is later). This portion of the LTIP Option – Part A – will have a fixed vesting level of 100% of the Paddy Power Betfair Shares (save for leavers). In other words the performance conditions will not apply to this Part A.
  - In addition you will receive a New Option in respect of the balance of your 2015/16 LTIP Option – Part B. This will not have a fixed vesting level. New performance conditions will be set for this replacement New Option and it will vest to the extent that these new conditions are met.

The exact timing of completion of the Merger (the Effective Date) 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.

How do I know how many LTIP Options I have?

Your options are all visible in your online Computershare account. Please 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

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<sup>1</sup> 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.

reminder or call Computershare on +44 (0) 370 707 4010 or email them at [betfair@computershare.co.uk](mailto:betfair@computershare.co.uk).

What are the terms of the New Options?

Your unvested LTIP Options will be replaced by New Options which will have the same vesting dates as the original LTIP Options. The Merger Ratio of 0.4254 Paddy Power Betfair Shares for every one Betfair Share will be used to calculate the number of Paddy Power Betfair Shares under the New Options, rounded up to the nearest whole share.

The number of Paddy Power Betfair Shares under your New Option will increase by a number of Paddy Power Betfair Shares equal in value to the dividends that would have been paid if you had held the number of Paddy Power Betfair Shares under your New Option as a shareholder on each dividend record date occurring during the period between the date of grant of the New Option and the date you exercise your New Option, assuming all such dividends would have been reinvested in Paddy Power Betfair Shares.

#### *2013/14 and 2014/15 LTIP Options*

A New Option will be granted in place of each of your 2013/14 LTIP Options and 2014/15 LTIP Options. Each New Option (the 2013/14 New Option and the 2014/15 New Option) will be subject to a fixed vesting level of 100% and will vest on the vesting date of the original LTIP Option.

#### *2015/16 LTIP Options*

The number of Betfair Shares under your 2015/16 LTIP Option will be multiplied by the Merger Ratio of 0.4254 Paddy Power Betfair Shares and rounded up to the nearest whole share (giving a number of Paddy Power Betfair Shares –  $N$ ) and then divided into two parts – Part A and Part B - and two matching replacement New Options will be granted, each with different terms as follows:

The number of Paddy Power Betfair Shares under Part A of the New Option is calculated as:  $N$  multiplied by  $X/Y$  (where  $X$  is the number of days from the grant date to the date of completion of the Merger or the date on which the 2015/16 New Option becomes effective (whichever is later) and  $Y$  is 1096) rounded up to the nearest whole share.

The number of Paddy Power Betfair Shares under Part B of the New Option is calculated as:  $N$  minus the number of Paddy Power Betfair Shares under Part A of the New Option.

For example, if completion of the Merger happens on 31 January 2016, and you hold a 2015/16 LTIP Option over 500 Betfair Shares granted on 1 July 2015:

- 500 Betfair Shares multiplied by 0.4254 gives 213 Paddy Power Betfair Shares (when rounded up to the nearest whole share).
- Part A: 213 multiplied by  $215/1,096$ ths equals 42 (when rounded up to the nearest whole share). Accordingly, part of the existing 2015/16 LTIP Option will be replaced with a Part A New Option over 42 Paddy Power Betfair Shares with a vesting date of 1 July 2018. Part A will have a guaranteed vesting level of 100% of the 42 Paddy Power Betfair Shares.
- Part B: 213 minus 42 equals 171. Accordingly, the remaining part of the existing 2015/16 LTIP Option will be replaced with a Part B New Option over 171 Paddy Power Betfair Shares

with a vesting date of 1 July 2018 subject to new performance conditions. New performance conditions will be set for this replacement option by the Paddy Power Betfair Remuneration Committee and you will be notified of these in due course.

What about tax?

There is no income tax or social security contributions to pay on the replacement of your unvested LTIP Options with New Options.

What happens to my New LTIP Options if I leave employment before the normal vesting date?

Should you be dismissed and leave the company prior to the relevant vesting date then any outstanding New Options will lapse unless the Paddy Power Betfair Remuneration Committee determines otherwise.

What action do I need to take?

You do not need to take any action in relation to the New Options – these will be granted to you automatically.

Settlement

Option certificates for your New Options will be provided to you as soon as possible after completion of the Merger.

Leaving Betfair employment

Please note that the choices described above do not apply to any LTIP Option that has already lapsed or would otherwise lapse (for example on leaving employment) before completion of the Merger.

What if the Merger does not complete?

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