

APPENDIX – Approved Share Option Plan (CSOP)¹

Section 1

This Appendix relates to your 3,000 vested but unexercised options under the CSOP plan.

How does the Merger affect my CSOP Options?

Your Options over Betfair Shares granted to you under the CSOP plan (the *CSOP Options*) have already vested.

As a result of the Merger, Betfair will become a wholly owned subsidiary of Paddy Power Betfair. Under the rules of the CSOP, your CSOP Options will be exercisable for up to six months after the Court Sanction date (the *Lapse Date*) (i.e. the exercise period will be curtailed).

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

Choice 1: Elect to exercise your CSOP Options on the Court Sanction date and decide whether you wish to carry out a “hold all”, “sell to cover” or “sell all” transaction in respect of the Betfair Shares you acquire; or

Choice 2: Elect to exercise your CSOP Options on or after the Effective Date and before the Lapse Date and decide whether you wish to carry out a “hold all”, “sell to cover” or “sell all” transaction in respect of the Paddy Power Betfair Shares you acquire.

If you do nothing, the exercise period will be curtailed and any unexercised CSOP 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 CSOP 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. 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.

¹ *The Approved Company Share Option Plan approved by H. M. Revenue & Customs 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.*

When can I exercise my CSOP Options?

Your CSOP Options remain exercisable *at any time* (subject to usual restrictions and permissions) until the Lapse Date (six months after the Court Sanction date).

Any unexercised CSOP Options will lapse on the Lapse Date (six months after the Court Sanction date).

How do I exercise my CSOP Options?

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

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

Should you choose to exercise your CSOP Options on the Court Sanction date and choose to 'hold all' (Box 1C) then the Betfair Shares that you acquire will be transferred to Paddy Power Betfair under the Scheme 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 'hold all' you must ensure that you have transferred to Computershare an amount in cleared funds to meet the aggregate exercise price due by no later than 5 working days before the Court Sanction date. If Computershare does not receive sufficient cleared funds by this deadline, you will be deemed to have elected a 'sell to cover' transaction. Computershare will contact you to confirm the deadline and the amount you need to transfer and to provide details of how to make a transfer of funds to Computershare.

Should you choose to exercise your CSOP Options on the Court Sanction date and choose to 'sell to cover' (Box 1B) then a sufficient number of Betfair Shares (and/or, if necessary Paddy Power Betfair Shares) will be sold on your behalf to provide proceeds which are equal to the aggregate exercise price due in respect of such Option under the cashless exercise facility (described below).

Should you exercise your CSOP Options on the Court Sanction date and choose a 'sell all' (Box 1A) transaction then the Company will use all reasonable efforts to arrange a sale of all the Betfair Shares you acquire prior to completion of the Merger 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 Merger to be sold as soon as reasonably practicable after completion of the Merger.

If you choose to 'sell to cover' or 'sell all', then a cashless exercise facility shall apply in respect of your CSOP Option. This means that you authorise Betfair or its agents to sell sufficient Betfair Shares (and/or, if necessary Paddy Power Betfair Shares) to provide proceeds which are equal to the aggregate exercise price due in respect of such Option and to account for the same to Betfair.

Please refer to Section 2 below for some general information about the tax implications of exercising your CSOP Options at this time.

Choice 2: If you wish to exercise your CSOP Options on or after the Merger becomes effective and before the Lapse Date, you need to tick Box 2 on the enclosed Election Form and return it to Computershare offline. At the time you choose to exercise your CSOP Options, you will need to instruct Computershare offline directly by completing an Exercise Form, if relevant, following the insider process (see below).

The effect of exercising during this period is the same as described above save that, if you elect to 'sell all' or 'sell to cover' then this instruction will be carried out in relation to the Paddy Power Betfair Shares which you will receive automatically in exchange for your Betfair Shares.

Please refer to Section 2 below for some general information about the tax implications of exercising your CSOP Options at this time.

What happens if I take no action?

If you do not take any action, your CSOP 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 CSOP 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 CSOP 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 CSOP Options on the last possible exercise date before the Lapse Date (and to have elected a 'sell to cover' transaction).

Insiders

As 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 have chosen to retain some or all of your shares (i.e. carried out a 'hold all' or 'sell to cover' transaction in relation to your CSOP Options) then the resulting Paddy Power Betfair Shares will be automatically transferred to your Computershare nominee account.

Leaving Betfair employment

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

If you are a “good leaver” from Betfair under the CSOP rules (for example because of death, ill health, redundancy or retirement), you will be able to exercise your CSOP Options in accordance with the rules of the CSOP, but you will not be able to exercise CSOP Options after the Lapse Date.

If you leave employment for any other reason, your CSOP Options will lapse immediately upon leaving.

What if the Merger does not complete?

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

Section 2

UK tax summary - CSOP

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 CSOP 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

Choices 1 and 2

As the CSOP is a tax-approved plan and your CSOP Options have already vested, no income tax or employees' National Insurance Contributions (NICs) will be payable on the exercise of your CSOP Options.

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 share acquired on the exercise of a CSOP Option (where no income tax is payable) is the option exercise price paid for the shares (in this case £10.00 per Betfair Share). The value of the disposal proceeds will vary depending on when you exercise your CSOP Option and sell the resulting Betfair Shares or Paddy Power Betfair Shares as set out below.

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:

If you exercise your CSOP Options on the Court Sanction date and you elect to 'sell to cover' under the cashless exercise facility or to 'sell all', the sale of your Betfair Shares will be a disposal for CGT purposes.

If you have retained some or all of your Betfair Shares (by electing to 'sell to cover' under the cashless exercise facility or to 'hold all'), receipt of the Paddy Power Betfair Shares for those Betfair Shares under the Scheme should not be treated for CGT purposes as a disposal of those Betfair Shares. CGT may be payable on any later sale of the Paddy Power Betfair Shares you receive.

The exchange of Betfair Shares which you acquire from the exercise of CSOP 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 2:

If you exercise your CSOP 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 CSOP 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 CSOP 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' or 'sell to cover' transaction, the sale of your Paddy Power Betfair Shares either in whole (if you elect to 'sell all') or to satisfy the option exercise price under the cashless exercise facility (if you elect to 'sell to cover') will be a disposal for CGT purposes.

If you elect a 'hold all' or 'sell to cover' transaction and subsequently sell the Paddy Power Betfair Shares you retain, the sale will be a disposal for CGT purposes and CGT may be payable on the difference in market value between the Paddy Power Betfair Shares on that day and the "base cost".

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>.

Accounting for CGT

Any CGT on the sale of Betfair Shares (or the sale of any Paddy Power Betfair Shares) is payable by you to HMRC under self-assessment. You are recommended to put aside money to pay any tax due when the time comes.