

APPENDIX –Deferred Share Incentive Plan (DSIP)<sup>1</sup>

## Section 1

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

Grant Dates	Normal Vesting Date	
	Tranche 1	Tranche 2
27 June 2014	N/A (vested)	27 June 2016
1 July 2015	1 July 2016	1 July 2017

How does the Merger affect my DSIP Awards?

Ordinarily, DSIP Awards vest 50% on the first anniversary of the grant with the remaining 50% vesting on the second anniversary.

However, as a result of the Merger, Betfair will become a wholly owned subsidiary of Paddy Power Betfair. Under the rules of the DSIP, all unvested DSIP Awards will vest in full on the Court Sanction 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.

How do I know how many DSIP Awards I have?

Your Awards 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).

Do I have to do anything to receive the Betfair Shares under my DSIP Awards?

You will need to decide what you would like to do with the Betfair Shares you receive on the vesting of your DSIP Awards on the Court Sanction date. You need to tick Box 1A, Box 1B or Box 1C on the enclosed Election Form and return it to Computershare offline.

You have three choices, which are set out below:

- A. 'Sell all'
- B. 'Sell to cover'

<sup>1</sup> The 2010 Equity US Subplan to the Betfair Group plc Deferred Share Incentive Plan for United States Employees.

### C. 'Hold all'

Should you 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 sufficient to meet any tax and social security withholding obligations that arise on the vesting of your DSIP Awards 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 that you need to transfer and to provide details of how to make a transfer of funds to Computershare.

Should you choose either a 'sell to cover' (Box 1B) or 'sell all' (Box 1A) transaction then the following will occur:

- 'sell to cover': the Company will use all reasonable efforts to arrange a sale of a sufficient number of your Betfair Shares to meet any tax and social security withholding obligations that arise on vesting of your Awards. The remaining Betfair Shares will be subject to the terms of the Merger (as described above). There can be no guarantee that the sale 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.
- 'sell all': 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.

Sufficient funds to meet any tax and social security withholding obligations that arise on vesting of your DSIP Awards will be deducted from the sale proceeds due to you as a result of the sale of your Betfair Shares or, if necessary, your Paddy Power Betfair Shares.

Please refer to Section 2 below for some general information about the tax implications of the vesting of your DSIP Awards.

What happens if I take no action?

If you do not take any action, Computershare will not be able to carry out any sale transaction in respect of the Betfair Shares you will acquire on the Court Sanction date - your Awards will not vest until you have made satisfactory alternative arrangements to satisfy any Tax Withholding Liabilities arising on the vesting of your Awards.

Election Form

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

## 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

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

## Leaving Betfair employment before completion of the Merger

Please note that the choices described above do not apply to any DSIP Awards that have 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 DSIP Awards will continue just as they are currently and they will vest subject to the rules of the DSIP.

## Section 2

### DSIP Awards - US Income Tax summary

This Appendix contains certain U.S. federal income tax consequences applicable to DSIP Awards of restricted share units ("RSUs", but also referred to as Restricted Shares under the DSIP rules) granted to employees under the DSIP who are subject to United States federal income taxation based on statutory authority and judicial and administrative interpretations as of the date of this summary, which are subject to change at any time (possibly with retroactive effect). This Appendix does not address federal estate tax, social security tax or non-U.S. tax issues or state and local tax issues that may arise in connection with RSUs issued under the DSIP, and assumes that all RSUs issued under the DSIP are and will be exempt from the requirements of Section 409A of the U.S. Internal Revenue Code. Since these rules are technical and complex, the discussion below represents only a general summary. Accordingly, we urge you to consult with your personal tax advisor.

#### Income and Employment Taxes

No amount generally will be required to be included in income by you at the time your RSUs are awarded. However, employment taxes (*i.e.*, FICA taxes, including Social Security and Medicare) generally will become due upon the vesting of the RSUs based on the fair market value of the Betfair Shares underlying such RSUs at the time of vesting. Upon payout of the RSUs, you generally will recognize ordinary income in an amount equal to the fair market value per share on the day that the Betfair Shares underlying the RSUs are transferred to you multiplied by the number of Betfair Shares transferred to you (including, for this purpose, any shares that are sold on your behalf or withheld to satisfy applicable withholding tax obligations as described below). Your tax basis in the Betfair Shares issued on the payment date generally will be the fair market value of such shares on such date, and your holding period will begin on the day after the payment date.

In connection with the Merger, your unvested RSUs under the DSIP generally will vest and be paid shortly prior to the consummation of the Merger on the Court Sanction Date, and upon consummation of the Merger, each Betfair Share issued upon payment of the RSUs that you continue to hold will be exchanged for the Merger consideration of 0.4254 Paddy Power Betfair Shares. For purposes of this tax discussion, it is assumed that the fair market value of a Betfair Share on payout of the RSUs will be equal to the value of the per share Merger consideration of 0.4254 Paddy Power Betfair Shares upon consummation of the Merger since the payout of the RSUs and the exchange of the underlying Betfair Shares for Merger consideration are expected to occur within a few days of each other. As a result, there should be no additional income being recognized by you upon the consummation of the Merger in respect of your RSUs beyond the ordinary compensatory income recognized on payout of the RSUs as described above. However, to the extent that there is any difference in the fair market value between the Betfair Shares issued upon payout of the RSUs (*i.e.*, your tax basis) and the value of the Merger consideration of 0.4254 Paddy Power Betfair Shares for which they will be exchanged upon consummation of the Merger, such difference will be treated as a short-term capital gain or loss as further described below.

#### Capital Gains Tax (CGT)

If you elect a 'sell all' or 'sell to cover' transaction on the payout of your RSUs, the sale of Betfair Shares either in whole or in part to meet the applicable tax withholding obligations generally will be a disposition for capital gains tax purposes. No capital gain or loss is expected to arise if the Betfair Shares are sold on the same date as the RSU payout date. However, whilst all reasonable efforts will be used to effect a sale on this basis, there can be no guarantee that this will be possible, and it is

possible that a capital gain or loss may arise in connection with the sale of any Betfair Shares (or, if necessary, Paddy Power Betfair Shares) in connection with raising the funds to satisfy the applicable income and employment tax withholding obligations.

If you elect to 'hold all' or 'sell to cover', any gain or loss you realize upon a subsequent sale of the Paddy Power Betfair Shares received in exchange for the Betfair Shares issued upon payout of your RSUs which have not been sold on your behalf generally will be taxable as a capital gain or loss and will be long-term gain or loss if such shares have been held for more than one year. The amount of any such gain or loss generally will be equal to the difference between the amount realized upon sale and your tax basis in such shares, which, in this case, generally will be the fair market value of the Paddy Power Betfair Shares issued to you upon consummation of the Merger (which, as noted above, generally is expected to equal the fair market value of the Betfair Shares issued on payout of the RSUs). Any capital gain or loss realized on a sale or disposition of such shares also may be subject to a 3.8% net investment income tax to the extent you have net investment income for the year and your adjusted gross income for the year exceeds \$200,000 (or \$250,000, in the case of joint filing taxpayers). Net investment income generally includes gross income from dividends and net gain from the disposition of property, such as the shares, less certain deductions. You should seek tax advice based on your own particular circumstances from your independent tax advisor.

#### Tax Withholding

The amount of income required to be included on payment of the RSUs is subject to the satisfaction of all applicable tax withholding requirements. Betfair will withhold taxes as required (i) from the proceeds of the sale of an applicable number of Betfair Shares (or, if necessary, Paddy Power Betfair Shares), (ii) by withholding an applicable number of Betfair Shares otherwise issuable to you upon the RSU payout date, (iii) from your paycheck, or (iv) by any other means that is administratively practicable and within the parameters of the DSIP, and remit them to the U.S. Internal Revenue Service or other applicable tax authority on your behalf.