

From: Zillah Byng-Maddick  
To: Paddy Power plc (***Paddy Power***)  
  
and  
  
Betfair Group plc (***Betfair***)

Date: 04/09/ 2015

Dear Sirs

## PROPOSED MERGER BETWEEN PADDY POWER AND BETFAIR

### 1. Merger

In this undertaking (the ***Undertaking***), the ***Merger*** means the proposed acquisition by or on behalf of Paddy Power of all the issued and to be issued ordinary share capital of Betfair, to be implemented by way of a court sanctioned scheme of arrangement (the ***Scheme***) under Part 26 of the Companies Act 2006 (or, with the consent of the Panel on Takeovers and Mergers (the ***Panel***), by way of a takeover offer within the meaning of section 974 of the Companies Act 2006 (the ***Takeover Offer***)) between Betfair and the holders of its ordinary shares, and substantially on the terms set out in the draft announcement in Schedule 2 (subject to the inclusion of any alternative or additional terms and conditions as may be required to comply with the requirements of the Takeover Panel (the ***Panel***), the Court, any applicable law or regulation and, in any case, as agreed between Paddy Power and Betfair) (the ***Announcement***).

### 2. Condition of Undertaking

The terms of this Undertaking are conditional on the Announcement being released not later than 9 a.m. (London time) on 8 September 2015 or such later time or date as Betfair and Paddy Power may agree.

### 3. Ownership of shares

I irrevocably and unconditionally undertake, represent and warrant to Paddy Power and Betfair that:

- 3.1 I am the registered holder and/or beneficial owner of the number of ordinary shares of 0.095p each in the capital of Betfair (***Betfair Shares***) specified in Schedule 1 (the ***Existing Betfair Shares***), free and clear of any lien, security interest or other interest which imposes any restriction;
- 3.2 save as set out in Schedule 1, I am not interested in any other securities of Betfair and do not have any rights to subscribe, purchase or otherwise acquire any securities of Betfair; and
- 3.3 I have full power and authority and the right (free from any legal or other restrictions), and will at all times continue to have all relevant power and authority

and the right, to enter into this Undertaking and to perform the obligations in this Undertaking in accordance with its terms.

#### **4. Dealings and undertakings**

I further irrevocably undertake to Paddy Power and Betfair that (other than in connection with the Merger or pursuant to paragraph 5.5 below) before the Merger has been implemented or this Undertaking has lapsed in accordance with paragraph 9.1 below, I shall not (and, to the extent relevant, shall procure that the registered holder shall not):

- 4.1 create or grant any encumbrance, charge, option or lien over (or permit any such action to occur in respect of) any interest in, or fetter any of the voting rights attached to:
  - (a) any Existing Betfair Shares; or
  - (b) any other Betfair Shares issued or unconditionally allotted to, or otherwise acquired by, me or any other securities in the capital of Betfair in respect of which I become the registered holder or the holder of a beneficial interest, before then (***Further Betfair Shares***);
- 4.2 in the capacity as a shareholder of Betfair, cast the votes attaching to any Existing Betfair Shares or Further Betfair Shares in favour of any resolution to approve an acquisition or any other transaction or corporate action which would frustrate, delay or impede the implementation of the Merger;
- 4.3 in the capacity as a shareholder of Betfair, convene, requisition or join in the requisition of any general or class meeting of Betfair shareholders for the purpose of considering any resolution referred to in paragraph 4.2 above;
- 4.4 subject to my directors' duties to Betfair under the Companies Act 2006 and general law, accept, or give any undertaking (whether conditional or unconditional) to accept or agree to (as applicable) any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of securities in Betfair by any person other than Paddy Power (or persons acting on behalf of Paddy Power);
- 4.5 except with the prior written consent of Paddy Power (not to be unreasonably withheld), I will not acquire, dispose of, transfer or otherwise deal in any relevant securities of Betfair or Paddy Power (or any interest therein) except where the purpose of such disposal, transfer or dealing is to meet any liability in respect of income tax or employee national insurance contributions arising from the exercise or vesting of options and / or awards over Betfair shares; or
- 4.6 enter into any agreement or arrangement or incur any obligation or permit any obligation to arise, to do all or any of the acts referred to in paragraphs 4.1, 4.2, 4.3, 4.4 and 4.5 above, and for the avoidance of doubt, references in this paragraph 4.6 to any agreement, arrangement or obligation shall include any such agreement, arrangement or obligation whether or not legally binding or subject to any condition, or which is to take effect upon or following the Scheme or Merger completing, or upon or following this Undertaking ceasing to be binding pursuant to paragraph 9, or upon or following any other event.

## **5. Undertaking to vote in favour of the Scheme and accept Option proposals**

- 5.1 I accept and agree and (where applicable) shall procure that the registered holder accepts and agrees to the terms of this paragraph 5 in respect of the Existing Betfair Shares and the Further Betfair Shares and any other shares or interests in shares attributable to or deriving from such shares (together, the *Shares*).
- 5.2 I hereby irrevocably undertake to Paddy Power and Betfair in my capacity as holder of Shares to and (where applicable) will procure that the registered holder will:
- 5.2.1 cast (or procure the casting of) all votes in respect of the Shares in favour of all resolutions (whether or not amended) to approve or give effect to the Scheme, and any related matters proposed at any general or class meeting (*GM*) and Courtconvened meeting (*Court Meeting*) of Betfair to be convened and held in connection with the Scheme, or at any adjournment of any such meeting, either in person or by executing and lodging a form of proxy or by giving an instruction to a proxy via the CREST system as soon as possible and in any event within seven business days (being any day which is not a UK public holiday or Saturday or Sunday) of the publication of the scheme document (the *Scheme Document*) by Betfair setting out the terms and conditions of the Scheme and the Merger (or, in respect of Further Betfair Shares, within three business days of acquiring an interest in such Shares, if later);
- 5.2.2 not revoke or amend any form of proxy referred to in paragraph 5.2.1 which has been lodged or submit any new form of proxy or other proxy voting instructions in respect of the Shares for purposes of the resolutions; and
- 5.2.3 execute (or procure the execution of) all such documents or do (or procure the doing of) such acts and things as may be reasonably necessary or desirable to be executed or done by me for the purposes of giving effect to this Undertaking.
- 5.3 In the event that the Scheme is modified or amended pursuant to the requirements of, or with the approval of, the Court and Betfair and in accordance with the terms of the Scheme, I confirm and agree that (except where such modification or amendment would materially adversely affect my rights or interests as a Betfair shareholder) this Undertaking shall continue to be binding *mutatis mutandis* in respect of the Shares.
- 5.4 Subject to paragraph 5.1, I irrevocably undertake that Paddy Power will acquire the Shares pursuant to the Merger which provides for the transfer of the Shares to Paddy Power, free from any lien, charge, option, equity, encumbrance or other third party interest of any nature whatsoever and together with all rights of any nature attaching or accruing to them.
- 5.5 If Paddy Power makes any proposals in respect of the Options in compliance with Rule 15 of the Code, I shall accept (or procure the acceptance of) such proposals in respect of any outstanding Options not later than seven days after Paddy Power sends such proposals to the holders of options or otherwise ensure that any Shares arising on conversion of options participate in the Scheme.

## **6. Power of Attorney**

- 6.1 In order to secure the performance of my obligations under this Undertaking, if I fail to comply with any of the undertakings in paragraphs 4, 5 and 7, I irrevocably appoint

any director of Paddy Power jointly and severally to be my attorney in my name and on my behalf to sign or execute forms of proxy and/or such other deeds or documents and to do such other acts and things as may be necessary or desirable for the purpose of giving effect to my obligations under this Undertaking in respect of the Shares.

6.2 I acknowledge that this power of attorney is given by way of security and is irrevocable until this Undertaking lapses in accordance with paragraph 9.1.

## **7. Voting Rights and Prejudicial Action**

7.1 I hereby irrevocably undertake that I shall, and (where applicable) I shall procure that the registered holder will:

7.1.1 not exercise (or procure the exercise of) any of the voting rights attached to the Shares at the Court Meeting or the GM other than in accordance with this Undertaking;

7.1.2 otherwise exercise (or procure the exercise of) the voting rights attached to the Shares in my capacity as a holder of Shares on any resolution which may be necessary or desirable for the implementation of the Merger at a general, class or other meeting of Betfair shareholders (a **Resolution**) only in accordance with Paddy Power's directions;

7.1.3 in the capacity as a holder of the Shares, convene, requisition and join in the requisition of any general or class meeting of Betfair shareholders for the purpose of considering any such Resolution and require Betfair to give notice of such Resolution only in accordance with Paddy Power's directions;

7.1.4 exercise (or procure the exercise of) the voting rights attached to the Shares against any resolution which: (i) could reasonably be expected to prevent or delay implementation of the Merger; or (ii) approves or gives effect to (and agrees not to be bound by) an offer by a person other than Paddy Power (or persons acting on behalf of Paddy Power), to acquire (or have issued to it) any relevant securities of Betfair (whether by way of scheme of arrangement or otherwise) or any assets of Betfair;

7.1.5 not, either alone or in concert with other person(s), make any offer to acquire the whole or any part of the issued share capital of Betfair nor permit any entity in which I, directly or indirectly, have any interest to make such an offer; and

7.1.6 not, in the capacity as a holder of the Shares, enter into any agreement or arrangement with any person, whether or not conditionally, to do or omit to do (as applicable) any of the acts referred to in this paragraph 7.

## **8. Consents**

8.1 I agree to:

8.1.1 this Undertaking being disclosed to the Panel, Goldman Sachs International and Morgan Stanley;

8.1.2 promptly, upon request, provide such information as Paddy Power or Betfair (as applicable) may reasonably require in order to comply with the requirements of the Code, the Panel, the London Stock Exchange plc, the Irish Stock Exchange plc, the Financial Conduct Authority, the Central Bank of Ireland or of any other applicable regulatory authority, law or regulation and as soon as reasonably possible notify

Paddy Power or Betfair (as applicable) in writing of any material change in the accuracy or import of any such information and consent to the public disclosure of such information;

- 8.1.3 the issue of the Announcement with the references to me and the registered holder of any of the Shares in respect of which I have (or will have as the case may be) a beneficial interest and to particulars of this Undertaking;
- 8.1.4 particulars of this Undertaking being set out in any other announcement or document issued in connection with the Merger and in the Scheme Document; and
- 8.1.5 this Undertaking being available for inspection during the offer in accordance with Rule 26.2 of the Code or the Listing Rules of the Financial Conduct Authority or its successor from time to time.

## **9. Lapse of Undertaking**

- 9.1 All of my obligations pursuant to this Undertaking will lapse and cease to have effect on and from the earliest of the following occurrences:
  - 9.1.1 the Scheme lapses or is withdrawn in accordance with its terms and Paddy Power publicly confirms that it does not intend to proceed with the Merger or to implement the Merger by way of a Takeover Offer or otherwise or, if Paddy Power exercises its right to implement the Merger by way of an Offer, the Offer lapses or is withdrawn in accordance with its terms and Paddy Power subsequently confirms that it does not intend to proceed with the Merger;
  - 9.1.2 the Scheme has not become effective (or, if applicable, the Offer has not become or been declared unconditional in all respects) on or before 30 June 2016 (or such later time or date as agreed between Paddy Power and Betfair with the approval of the Court and/or the Panel if required); and
  - 9.1.3 on or before 8 September 2015 or such later date as Betfair and Paddy Power may agree, if Paddy Power has not announced pursuant to Rule 2.7 of the Code a firm intention to proceed with the Merger by such date and on the terms and conditions set out or referred to in the Announcement.
- 9.2 If my obligations in this Undertaking lapse, I shall have no claim against Paddy Power or Betfair and neither Paddy Power nor Betfair shall have any claim against me, other than in respect of any prior breach of any of the terms of this Undertaking.

## **10. Scheme of Arrangement or Offer**

- 10.1 I note that Paddy Power reserves the right to implement the Merger by way of an Offer. In the event that it is so implemented, I confirm and agree that this Undertaking shall continue to be binding mutatis mutandis in respect of the Shares and all references to the Scheme shall, where the context permits, be read as references to the Offer (or to both the Scheme and the Offer, as appropriate).
- 10.2 References in this Undertaking:
  - 10.2.1 to voting in favour of the Scheme and voting in favour of the resolutions to be proposed at the Court Meeting and/or the GM shall be read and construed as references to accepting the Offer, which acceptances in such circumstances shall be



tendered within seven business days of publication of the formal document containing the Offer (the **Offer Document**) to Betfair shareholders, and even if the terms of the Offer give accepting shareholders the right to withdraw acceptances, I shall not withdraw (nor shall I procure the withdrawal of) my acceptances in respect of the Shares;

- 10.2.2 to the Scheme becoming effective shall be read as references to the Offer becoming unconditional in all respects; and references to the Scheme lapsing or being withdrawn shall be read as references to the lapsing or withdrawal of the Offer; and
- 10.2.3 to the Scheme Document shall be read as references to the Offer Document.

## 11. Other

- 11.1 Any time, date or period referred to in this Undertaking may be extended by mutual agreement but as regards any time, date and period originally fixed or as extended, time shall be of the essence.
- 11.2 I have been given a realistic opportunity to consider whether or not I should give this Undertaking and I have received appropriate advice about the nature of this Undertaking.
- 11.3 I acknowledge that damages may not be an adequate remedy for breach of this Undertaking and, accordingly, Paddy Power and Betfair may be entitled to the remedies of specific performance, injunction or other equitable remedies.
- 11.4 This Undertaking shall bind my estate and personal representatives.
- 11.5 The ejusdem generis principle of construction shall not apply to this Undertaking. Any phrase introduced by the terms **other**, **including**, **include** and **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words following or preceding those terms.
- 11.6 In this Undertaking, references to:
  - 11.6.1 **business day**, **dealing** and **offer period** shall be interpreted in accordance with the Code as from time to time amended and interpreted by the Panel;
  - 11.6.2 **Code** means the UK Takeover Code as amended from time to time;
  - 11.6.3 being **interested in** or having **interests in** shares or securities shall be construed in accordance with the Code as from time to time amended and interpreted by the Panel and Part 22 of the Companies Act 2006;
  - 11.6.4 **Merger**, **Offer** and **Scheme** shall include any new, increased, renewed or revised proposals made by or on behalf of Paddy Power, provided that such new, increased, renewed or revised proposals do not represent a reduction in value of the original proposal as set out in the Announcement (together with any alternative or additional terms and conditions as may be required to comply with the requirements of the Panel, the Court, any applicable law or regulation and, in any case, as agreed between Paddy Power and Betfair);
  - 11.6.5 **relevant securities** and **securities** shall be construed in accordance with the Code as from time to time amended and interpreted by the Panel.


## 12. Governing Law

This Undertaking and any non-contractual obligations arising from or in connection with this Undertaking shall be governed by and construed in accordance with English law. I submit to the exclusive jurisdiction of the English courts to settle any dispute arising from or connected with this Undertaking (a *Dispute*) (including a dispute regarding the existence, validity or termination of this Undertaking or relating to any non-contractual or other obligation arising out of or in connection with this Undertaking or its formation). I agree that the English courts are the most appropriate and convenient courts to settle any Dispute and accordingly, will not argue to the contrary.

I understand and confirm that:

- (a) this Undertaking is legally binding; and
- (b) until the Announcement is released, certain terms and conditions of the Merger may constitute inside information and I shall keep such information secret. Disclosure of such information or any dealing in securities of Paddy Power or Betfair before the Announcement is released, could constitute a criminal offence under the insider dealing provisions of the Criminal Justice Act 1993 and/or behaviour amounting to market abuse under s.118 of the Financial Services and Markets Act 2000 liable to sanction by the Financial Conduct Authority, for example, the imposition of financial penalties. The obligations in this paragraph shall survive termination of this Undertaking.

**EXECUTED and DELIVERED**  
as a **DEED** by  
**ZILLAH BYNG-MADDICK**  
in the presence of:

)  
)   
)  
)

R Keogh Signature of witness

ROBERT KEOGH Name of witness

52 Ansell Rd, London Address of witness  
SW17 7LT

ACCOUNTANT Occupation of witness



## Schedule 1

### Existing Betfair Shares

<b>No. of ordinary shares of 0.095p in Betfair</b>	<b>Beneficial owner</b>
2,187	Zillah Byng-Maddick

**Schedule 2**  
**Announcement**

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION**

**THE FOLLOWING ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND BETFAIR SHAREHOLDERS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW PADDY POWER BETFAIR SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT AND THE PADDY POWER BETFAIR PROSPECTUS WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**FOR IMMEDIATE RELEASE**

**8 September 2015**

**RECOMMENDED ALL-SHARE MERGER OF PADDY POWER PLC  
AND BETFAIR GROUP PLC**

**Summary**

- The Boards of Paddy Power plc (“**Paddy Power**”) and Betfair Group plc (“**Betfair**”) are pleased to announce that they have reached agreement on the terms of a recommended all-share merger of Paddy Power and Betfair, which is to be implemented by way of a scheme of arrangement of Betfair (the “**Merger**”).
- The merged entity, to be called “Paddy Power Betfair plc” (“**Paddy Power Betfair**”), will be one of the world’s largest public online betting and gaming companies by revenue with enlarged scale, capability and distinctive complementary brands.
- The Boards of Paddy Power and Betfair believe that the Merger has compelling strategic logic and represents an attractive opportunity for both Paddy Power and Betfair to enhance their position in online betting and gaming and to deliver synergies, customer benefits and shareholder value.
- **The Merger will result in Paddy Power Shareholders owning 52 per cent. of Paddy Power Betfair and Betfair Shareholders owning 48 per cent. of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.**
- Under the terms of the Merger:

**Betfair Shareholders will be entitled to receive  
0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share.**

- In addition, immediately prior to Completion, Paddy Power Shareholders will receive a special dividend of €80 million. The special dividend, which will be conditional upon Completion, will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6 p.m. on the business day prior to Completion.
- The Boards of Paddy Power and Betfair believe there is a compelling strategic rationale for the Merger:
  - enhanced scale and capabilities such that the Combined Group will be better placed to compete in existing and new markets;

- complementary products, channels and capabilities will give rise to revenue synergy opportunities through the ability of the Combined Group to offer new products and services to existing and new customers;
  - diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and Continental Europe;
  - a dual brand strategy in Europe enabling the Combined Group to utilise more effectively the distinctive and complementary brands of Paddy Power and Betfair; and
  - cost synergies from efficiencies which reflect the complementary nature of the businesses.
- Opportunities for cost and revenue synergies have been identified which support the significant shareholder value creation opportunity of the Merger. The Boards of Paddy Power and Betfair believe that the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately £50 million. It is expected that the benefit of the full level of identified synergies will be achieved in the third full year following Completion. The Boards of Paddy Power and Betfair also believe there is a significant opportunity for revenue synergies due to the ability of the Combined Group to offer new products and services to existing and new customers.
- Following Completion:
    - Gary McGann, Chairman of Paddy Power, will become the Chairman of Paddy Power Betfair;
    - Breon Corcoran, CEO of Betfair, will become CEO and an Executive Director of Paddy Power Betfair;
    - Andy McCue, CEO of Paddy Power, will become COO and an Executive Director of Paddy Power Betfair;
    - Alex Gersh, CFO of Betfair, will become CFO and an Executive Director of Paddy Power Betfair; and
    - in addition, Paddy Power Betfair's Board will include Non-Executive Directors nominated equally from each of Paddy Power and Betfair.
  - Paddy Power Betfair will be headquartered in Dublin and is expected to maintain a significant presence in both Ireland and the United Kingdom.
  - Paddy Power Betfair will have a premium listing on the London Stock Exchange and a secondary listing on the Irish Stock Exchange as an overseas company. It is expected that, following Completion, Paddy Power Betfair will be eligible for inclusion in the FTSE UK Index Series and in the Irish Stock Exchange Index Series.
  - The Boards of Paddy Power and Betfair have agreed to retain their current dividend policies for the period prior to Completion. Following the Merger and subject to the approval of the Paddy Power Betfair Board, Paddy Power Betfair intends to adopt a progressive dividend policy consistent with Paddy Power Betfair's enhanced growth strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its

initial dividend, it is expected that the Board of Paddy Power Betfair will target a payout ratio of approximately 50 per cent. of the Combined Group's profit after tax.

- The Betfair Directors, who have been so advised by Goldman Sachs as to the financial terms of the Merger, consider the terms of the Merger to be fair and reasonable. In providing its advice to the Betfair Directors, Goldman Sachs has taken into account the commercial assessments of the Betfair Directors. Goldman Sachs is providing independent financial advice to the Betfair Directors for the purposes of Rule 3 of the Code.
- Accordingly, the Betfair Directors intend unanimously to recommend that Betfair Shareholders vote in favour of the Scheme at the Court Meeting and other resolutions relating to the Merger to be proposed at the Betfair General Meeting, as the Betfair Directors who hold or are beneficially entitled to Betfair Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 256,221 Betfair Shares representing, in aggregate, approximately 0.276 per cent. of Betfair's ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement).
- Given the current size of Betfair relative to the current size of Paddy Power, the Merger will be put to a vote of Paddy Power Shareholders as a class 1 transaction for the purposes of the Listing Rules. The Paddy Power Directors consider the Merger to be in the best interests of Paddy Power and the Paddy Power Shareholders as a whole and intend unanimously to recommend that Paddy Power Shareholders vote in favour of the Paddy Power Resolutions to be proposed at the Paddy Power General Meeting to approve the Merger and related matters, as the Paddy Power Directors who hold or are beneficially entitled to Paddy Power Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 404,442 Paddy Power Shares representing, in aggregate, approximately 0.918 per cent. of Paddy Power's ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement).
- The Paddy Power Directors have received financial advice from Morgan Stanley and IBI Corporate Finance in relation to the Merger. In providing their advice to the Paddy Power Directors, Morgan Stanley and IBI Corporate Finance have relied upon the Paddy Power Directors' commercial assessments of the Merger.
- It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006, further details of which are contained in the full text of this Announcement. However, Paddy Power reserves the right to implement the Merger by way of a Merger Offer, subject to the Takeover Panel's consent and the terms of the Co-operation Agreement.
- The Merger will be subject to the Conditions set out in Appendix I to this Announcement and in the Scheme Document. It is expected that the Merger will be completed during the first quarter of 2016. Further details of the Merger will be set out in the Scheme Document and the Paddy Power Circular which are expected to be sent to Betfair Shareholders and Paddy Power Shareholders (as applicable) in November 2015. An expected timetable of principal events will be included in the Scheme Document and the Paddy Power Circular. It is expected that the Paddy Power Betfair Prospectus containing information about the New Paddy Power Betfair Shares will be published at the same time as the Scheme Document and the Paddy Power Circular.

Commenting on the Merger, Gary McGann, Chairman of Paddy Power said:

*“The merger of Paddy Power and Betfair will create a company of world class capability and people who will deliver substantial up-front synergies and a platform for very exciting business expansion.*

*The combination of Breon, Andy and their colleagues in this merger of equals comprises "the A team" in the business with the ambition to create a unique global player in a very dynamic industry."*

Commenting on the Merger, Gerald Corbett, Chairman of Betfair said:

*"The merger of Paddy Power and Betfair will create one of the world's largest public online betting and gaming companies. The combination makes huge strategic sense by bringing together two industry leading and successful businesses and providing enlarged scale, capability and distinctive, complementary brands. Under the guidance of a strong and proven combined management team, this merger truly represents an attractive opportunity for both Paddy Power and Betfair to enhance their position in online betting and gaming and to deliver synergies, customer benefits and shareholder value."*

**This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including its appendices).**

**The Merger will be subject to the Conditions set out in Appendix I, and to the full terms and conditions which will be set out in the Scheme Document. Appendix II contains the bases and sources of certain information used in this Announcement. Appendix III contains details of the irrevocable undertakings received in relation to the Merger that are referred to in this Announcement. Appendix IV contains details of and bases of calculation of the anticipated quantified financial benefits of the Merger and of the related report from Paddy Power's reporting accountants, KPMG, and its financial adviser, Morgan Stanley. Appendix V contains reports from Paddy Power's reporting accountants, KPMG, and its financial adviser, Morgan Stanley, regarding a profit forecast statement made by Paddy Power. Appendix VI contains definitions of certain terms used in this Announcement.**

**For the purposes of Rule 28 of the Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of Paddy Power and the Paddy Power Directors. Each of KPMG and Morgan Stanley has given and not withdrawn its consent to the publication of its reports in this Announcement in the form and context in which they are included.**

There will be an investor and analyst presentation at Andaz London Liverpool Street at 40 Liverpool Street, London EC2M 7QN at 10.00 a.m. on 8 September 2015. The dial in details to join the presentation by telephone are as follows:

**UK Freephone:** 0800 783 0906; Participant passcode: 508 382 56

**UK Direct:** 01296 480 100; Participant passcode: 508 382 56

**International direct:** +44 1296 480 100; Participant passcode: 508 382 56

**Ireland Freephone:** 1800946811; Participant passcode: 508 382 56

**Ireland Direct:** +353 (0) 1 2421074; Participant passcode: 508 382 56

A copy of the investor and analyst presentation will be available on Paddy Power's website at [www.paddypowerplc.com](http://www.paddypowerplc.com) and on Betfair's website at <http://corporate.betfair.com>.

**Enquiries:**

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**Important notices**

*Morgan Stanley which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom is acting as financial adviser to Paddy Power and no one else in connection with the Merger. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this Announcement or any other matter referred to herein.*

*IBI Corporate Finance, which is regulated in Ireland by the Central Bank of Ireland, is acting exclusively for Paddy Power and for no one else in connection with the Merger and will not be responsible to anyone other than Paddy Power for providing the protections afforded to customers of IBI Corporate Finance or for providing advice in relation to the Merger, the contents of this Announcement or any transaction or arrangement referred to herein.*

*Goodbody Stockbrokers, trading as Goodbody, which is regulated in Ireland by the Central Bank of Ireland, is acting exclusively for Paddy Power and for no one else in connection with the Merger and will not be responsible to anyone other than Paddy Power for providing the protections afforded to customers of Goodbody or for providing advice in relation to the Merger, the contents of this Announcement or any transaction or arrangement referred to herein.*

*Goldman Sachs, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Betfair and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Betfair for providing the protections afforded to clients of Goldman Sachs, or for providing advice in connection with the Merger, the contents of this Announcement or any other matter referred to herein.*

### **Forward-looking statements**

*This Announcement contains statements about Paddy Power, Betfair and the Combined Group that are or may be forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “should”, “continue”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Paddy Power’s, Betfair’s or the Combined Group’s operations and potential synergies resulting from the Merger; and (iii) the effects of government regulation on Paddy Power’s, Betfair’s or the Combined Group’s business.*

*Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Paddy Power and Betfair disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law or regulation.*

***If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser, duly authorised under the Financial Services and Market Act 2000 (as amended) if you are resident in the United Kingdom, or authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the European Communities (Markets in Financial Instruments) Regulations (Numbers 1 to 3) 2007 if you are resident in Ireland, or from another appropriately authorised independent financial adviser.***

### **Quantified Financial Benefits Statement**

*Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast (other than the Paddy Power Profit Forecast) or interpreted to mean that the Combined Group’s earnings in the first full year following the effective date of the Scheme, or in any subsequent period, would necessarily match or be greater than or be less than those of Paddy Power and/or Betfair for the relevant preceding financial period or any other period. For the purposes of Rule 28 of the Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of Paddy Power and the Paddy Power Directors.*

### **Paddy Power Profit Forecast**

*The Paddy Power Profit Forecast is a profit forecast for the purposes of Rule 28 of the Code. The Paddy Power Profit Forecast, the assumptions on which the Paddy Power Profit Forecast is based and the reports from Paddy Power's reporting accountants, KPMG, and its financial adviser, Morgan Stanley, as required by Rule 28.1 of the Code are set out in Appendix V to this Announcement. Each of KPMG and Morgan Stanley has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.*

*Other than the Paddy Power Profit Forecast, no statement in this Announcement is intended as a profit forecast or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Paddy Power or Betfair, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Paddy Power or Betfair, as appropriate.*

### **Opening Position and Dealing Disclosure Requirements under the Code**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you*

are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Further information**

*This Announcement is for information purposes only. It is not intended to and does not constitute, or form part of, any offer, invitation or the solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The Merger will be effected solely by means of the Scheme Document which, together with the Forms of Proxy, will contain the full terms and conditions of the Merger including details of how to vote in respect of the Merger.*

*Betfair will prepare the Scheme Document to be distributed to Betfair Shareholders and Paddy Power will prepare the Paddy Power Circular to be distributed to Paddy Power Shareholders. Paddy Power will also publish the Paddy Power Betfair Prospectus containing information about the New Paddy Power Betfair Shares and the Combined Group. Betfair urges Betfair Shareholders to read the Scheme Document and the Paddy Power Betfair Prospectus when they become available because they will contain important information in relation to the Merger, the New Paddy Power Betfair Shares and the Combined Group. Paddy Power urges Paddy Power Shareholders to read the Paddy Power Circular and the Paddy Power Betfair Prospectus when they become available because they will contain important information in relation to the Merger, the New Paddy Power Betfair Shares and the Combined Group. Any vote in respect of the Scheme or other response in relation to the Merger should be made only on the basis of the information contained in the Scheme Document and the Paddy Power Betfair Prospectus, or the Paddy Power Circular and the Paddy Power Betfair Prospectus, as appropriate.*

*This Announcement has been prepared for the purposes of complying with English law, the rules of the London Stock Exchange and the Code and, where applicable, Irish law and the rules of the Irish Stock Exchange and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any other jurisdictions.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*Please be aware that addresses, electronic addresses and certain other information provided by Betfair Shareholders, persons with information rights and other relevant persons for the receipt of communications from Betfair may be provided to Paddy Power during the Offer Period as required under Section 4 of Appendix 4 of the Code.*

### **Overseas jurisdictions**

*The release, publication or distribution of this Announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this Announcement and all other announcements relating to the Merger are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or sent in, into or from any restricted jurisdiction. Persons receiving such announcements (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the Merger disclaim any responsibility or liability for the violations of any such restrictions by any person.*

*The Merger relates to the acquisition of shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Scheme is subject to the disclosure requirements, rules and*

*practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Paddy Power were to elect to implement the Merger by means of a Merger Offer, such Merger Offer will be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a Merger Offer would be made in the United States by Paddy Power and no one else. In addition to any such Merger Offer, Paddy Power, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Betfair outside such Merger Offer during the period in which such Merger Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website: [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*The financial information included in this Announcement has been prepared in accordance with accounting standards applicable in the UK and Ireland and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*The New Paddy Power Betfair Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Paddy Power Betfair Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Paddy Power Betfair Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Betfair Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Paddy Power or Betfair prior to, or of Paddy Power after, the Effective Date will be subject to certain US transfer restrictions relating to the New Paddy Power Betfair Shares received pursuant to the Scheme. For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Betfair will advise the Court that its sanctioning of the Scheme will be relied upon by Paddy Power as an approval of the Scheme following a hearing on its fairness to Betfair Shareholders.*

*The receipt of New Paddy Power Betfair Shares pursuant to the Merger by a US Betfair Shareholder may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other, tax laws. Each Betfair Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger.*

*It may be difficult for US Betfair Shareholders to enforce their rights and claims arising out of the US federal securities laws, since Paddy Power and Betfair are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US Betfair Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.*

*None of the securities referred to in this Announcement have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Announcement. Any representation to the contrary is a criminal offence in the United States.*

*Unless otherwise determined by Paddy Power or required by the Code, and permitted by applicable law and regulation, the Merger will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may*

*vote in favour of the Merger by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Merger are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Announcement and all documents relating to the Merger (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.*

*The availability of New Paddy Power Betfair Shares under the Merger to Betfair Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.*

*Copies of this Announcement and formal documentation relating to the Merger will not be and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction.*

### **Information relating to Betfair Shareholders**

*Please be aware that addresses, electronic addresses and certain information provided by Betfair Shareholders, persons with information rights and other relevant persons for the receipt of communications from Betfair may be provided to Paddy Power during the offer period as requested under Section 4 of Appendix 4 of the Code to comply with Rule 2.12(c).*

### **Publication on websites and availability of hard copies**

*A copy of this Announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Paddy Power's website [www.paddypowerplc.com](http://www.paddypowerplc.com) and on Betfair's website [www.corporate.betfair.com](http://www.corporate.betfair.com) by no later than 12 noon (London time) on the day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated and do not form part of this Announcement.*

*Paddy Power Shareholders may request a hard copy of this Announcement by contacting Ed Traynor, Group General Counsel, Paddy Power, Belfield Office Park, Beechill Road, Clonskeagh, Dublin 4, tel: +353 (1) 9021544. Betfair Shareholders may request a hard copy of this Announcement by contacting the Company Secretary, Betfair Group plc, Waterfront, Hammersmith Embankment, Chancellors Road, London W6 9HP, tel: +44 (0) 20 8834 8000. You may also request that all future documents, announcements and information to be sent to you in relation to the Merger should be in hard copy form.*

### **Rounding**

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*



**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION**

**THE FOLLOWING ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND BETFAIR SHAREHOLDERS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW PADDY POWER BETFAIR SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT AND THE PADDY POWER BETFAIR PROSPECTUS WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**FOR IMMEDIATE RELEASE**

**8 September 2015**

**RECOMMENDED ALL-SHARE MERGER OF PADDY POWER PLC  
AND BETFAIR GROUP PLC**

**1. Introduction**

Further to the announcement made by Paddy Power plc and Betfair Group plc on 26 August 2015, the Boards of Paddy Power and Betfair are pleased to announce that they have reached agreement on the terms of a recommended all-share merger of Paddy Power and Betfair.

It is proposed that the Merger will be effected by way of a Court-sanctioned scheme of arrangement of Betfair under Part 26 of the Companies Act. It is proposed that the merged entity will be called "Paddy Power Betfair plc".

**2. The Merger**

**The Merger will result in Paddy Power Shareholders owning 52 per cent. of Paddy Power Betfair and Betfair Shareholders owning 48 per cent. of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.**

Under the terms of the Merger, which will be subject to the Conditions set out in Appendix I to this Announcement and the Scheme Document:

**Betfair Shareholders will be entitled to receive  
0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share.**

In addition, immediately prior to Completion, Paddy Power Shareholders will receive a special dividend of €80 million. The special dividend, which will be conditional upon Completion, will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6 p.m. on the business day prior to Completion.

Paddy Power Betfair will be headquartered in Dublin and is expected to maintain a significant presence in both Ireland and the United Kingdom.

The New Paddy Power Betfair Shares will be issued credited as fully paid and will rank *pari passu* in all respects with Paddy Power ordinary shares in issue at the time the New Paddy Power Betfair Shares are issued pursuant to the Merger, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date.

Application will be made to the Irish Stock Exchange, the UK Listing Authority and the London Stock Exchange for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market.

### **3. Background to and reasons for the Merger**

Betfair and Paddy Power both have strong momentum and significant customer bases. The scale and momentum in the businesses has been achieved by developing distinctive brands and products, which are delivered through leading technology platforms by employees with deep expertise in betting and gaming. The Boards of Betfair and Paddy Power recognise the unique opportunity which exists for the businesses to combine their complementary strengths through the Merger and in doing so to better take advantage of the continuing growth in online betting and gaming.

#### ***Enhanced scale and capabilities will leave the Combined Group better placed to compete in existing and new markets***

The combined revenues of Paddy Power and Betfair are £1.2 billion (€1.7 billion)<sup>1</sup>, 80 per cent. of which are from online channels, making the Combined Group one of the world's largest public online betting and gaming companies. The revenues of the Combined Group will ensure it is better positioned to generate returns from investment in people, technology and marketing. When combined with the enhanced efficiency of operating at greater scale, the Boards of Paddy Power and Betfair believe that the Combined Group will be well positioned to compete in both existing and new markets and to create value for shareholders.

#### ***Complementary products, channels and capabilities will give rise to revenue synergy opportunities***

The Boards of Paddy Power and Betfair believe that given the complementary nature of the respective strengths of Paddy Power and Betfair and through the enhanced technology, branding, marketing and, most importantly, the combined skills and talent of the over 7,000 employees across the Combined Group, it will be able to provide its customers across all markets with an improved offering.

Whilst the process of formulating the detailed strategy of the Combined Group remains at an early stage, Betfair's proprietary exchange betting platform and Paddy Power's retail estates and proprietary gaming product provide examples of how the Combined Group could create a better offering for customers.

#### ***Diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and Continental Europe***

The Combined Group will benefit from a diversified business with:

- online B2C licenses in UK, Australia, Ireland, USA, Italy, Spain, Bulgaria, Denmark, Romania, Gibraltar and Malta;
- retail networks in the UK and in Ireland that support a multi-channel product offering; and
- B2B partnerships in Australia, France, Canada, Slovakia and Spain.

94 per cent. of the Combined Group's revenues will be derived from regulated markets. 20 per cent. of the Combined Group's revenues will be derived from retail and telephone channels.

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<sup>1</sup> Based on Paddy Power financials for 12 months ended June 2015 and Betfair financials for 12 months ended April 2015 using €£ exchange rate of 0.737 on 3 September 2015

The Combined Group will have customers from over 100 countries providing a base for further international expansion by utilising the combined scale and complementary strengths of Paddy Power and Betfair.

***Dual brand strategy in Europe utilising the distinctive and complementary brands of Betfair and Paddy Power***

In Europe, the Combined Group will benefit from two distinctive sector leading brands. Because of the broad range of customer segments served by Paddy Power and Betfair, the Combined Group plans to pursue a dual brand strategy in the UK, Ireland and Italy. The respective strength of both brands means the Combined Group will be better able to serve the needs of this diversified customer base through targeted products and marketing.

The Paddy Power brand is one of the betting and gaming industry's leading entertainment-led sports betting brands and has a proven track record of targeting the substantial recreational customer base. The Betfair brand, with its exchange heritage, resonates more strongly with customers with studied, knowledgeable and sophisticated betting habits who are attracted to Betfair's highly dynamic betting experience and complete market transparency.

The two brands have limited customer overlap. For example, market research indicates that only 3 per cent. of regular UK online gamblers bet with both Paddy Power and Betfair. Additionally, Paddy Power and Betfair have a complementary event mix with circa. 50 per cent. of Paddy Power's sportsbook revenues derived from racing and circa. 35 per cent. from football, Betfair's sportsbook derives circa. 66 per cent. of its revenue from football and just 20 per cent. from racing.

Preserving the unique features and characteristics of each of the Paddy Power and Betfair brands will reinforce the Combined Group's ability to provide customers with attractive yet familiar product offerings.

***Cost synergies from efficiencies which reflect the complementary nature of the businesses and through building on the Combined Group's enlarged scale***

Following preliminary analysis undertaken by the Boards of Paddy Power and Betfair, significant cost and revenue synergies have been identified which reinforce the strategic rationale for the Merger and the significant value creation opportunity for shareholders. The key driver of the identified synergies is the efficiencies that the Merger enables given the complementary nature of the businesses and the ability to leverage the Combined Group's enlarged scale.

The cost synergies have been identified through applying a set of key integration principles when considering the Combined Group. These principles comprise:

- dual European brands but more focused positioning on their key target audiences;
- integrating technology;
- creating a shared operations team; and
- combining the existing corporate functions into a single corporate function.

In this context, the Boards of Paddy Power and Betfair believe that the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately £50 million and expect these to be delivered progressively, minimising risk, over two years following Completion. It is expected that the benefit of the full level of identified synergies will be achieved in the third full year following Completion. A one-off cash integration cost of approximately £65 million (1.3x the level of run rate synergies) is expected to be incurred in delivering the cost synergies. Other than the integration costs

identified, the Boards of Paddy Power and Betfair do not expect any dis-synergies to arise as a result of the Merger.

In addition to the quantified synergies identified above, the Boards of Paddy Power and Betfair believe in a significant opportunity for revenue synergies, predominantly through leveraging the Combined Group's enlarged scale and capabilities to drive better customer acquisition and retention that will increase returns on product and marketing investment and increase payback across existing and new markets.

The statements above of estimated cost synergies relate to future actions and circumstances which inherently involve risks, uncertainties and contingencies. Accordingly, the cost synergies referred to may not be achieved, may not be achieved within the time periods specified or may be achieved in a different form to that which is currently envisaged by the Boards of Paddy Power and Betfair. For the purposes of Rule 28 of the Code, the statements above of estimated cost synergies are the responsibility of the Directors of Paddy Power, in their capacity as directors of the offeror under the terms of the Merger. Appendix IV includes reports in connection with the synergy statements from KPMG and Morgan Stanley, as required pursuant to the Code. KPMG and Morgan Stanley have given and not withdrawn their consent to the publication of their reports in the form and context in which they are included. These statements are not intended as a profit forecast and should not be interpreted as such.

#### **4. Recommendations**

The Betfair Directors, who have been so advised by Goldman Sachs as to the financial terms of the Merger, consider the terms of the Merger to be fair and reasonable. In providing its advice to the Betfair Directors, Goldman Sachs has taken into account the commercial assessments of the Betfair Directors. Goldman Sachs is providing independent financial advice to the Betfair Directors for the purposes of Rule 3 of the Code.

Accordingly, the Betfair Directors intend unanimously to recommend that Betfair Shareholders vote in favour of the Scheme at the Court Meeting and the Betfair Resolutions relating to the Merger to be proposed at the Betfair General Meeting, as the Betfair Directors who hold or are beneficially entitled to Betfair Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 256,221 Betfair Shares representing, in aggregate, approximately 0.276 per cent. of Betfair's ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement).

Given the size of Betfair relative to the current size of Paddy Power, the Merger will be put to the vote of Paddy Power Shareholders as a class 1 transaction for Paddy Power for the purposes of the Listing Rules. The Paddy Power Directors consider the Merger to be in the best interests of Paddy Power and the Paddy Power Shareholders as a whole and intend unanimously to recommend that Paddy Power Shareholders vote in favour of the Paddy Power Resolutions to be proposed at the Paddy Power General Meeting to approve the Merger and related matters, as the Paddy Power Directors who hold or are beneficially entitled to Paddy Power Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 404,442 Paddy Power Shares representing, in aggregate, approximately 0.918 per cent. of Paddy Power's ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement).

The Paddy Power Directors have received financial advice from Morgan Stanley and IBI Corporate Finance in relation to the Merger. In providing its advice to the Paddy Power Directors, Morgan Stanley and IBI Corporate Finance have relied upon the Paddy Power Directors' commercial assessments of the Merger.

#### **5. Irrevocable undertakings**

In aggregate, Paddy Power and Betfair have received irrevocable undertakings from:

- those of the Betfair Directors who hold or are beneficially entitled to (or may, upon the exercise or vesting of options and/or awards, hold or become beneficially entitled to) Betfair Shares to vote in favour of the Scheme at the Court Meeting and the Betfair Resolutions to be proposed at the Betfair General Meeting, in respect of:
  - an aggregate of 256,221 Betfair Shares, representing, in aggregate, approximately 0.276 per cent. of Betfair’s ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement); and
  - an aggregate of 1,701,895 Betfair Shares which may be issued upon the exercise or vesting of options and/or awards, representing, in aggregate, approximately 1.759 per cent. of Betfair’s fully diluted ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement); and
- those of the Paddy Power Directors who hold or are beneficially entitled to (or may, upon the exercise or vesting of options and/or awards, hold or become beneficially entitled to) Paddy Power Shares to vote in favour of the Paddy Power Resolutions to be proposed at the Paddy Power General Meeting to approve the Merger and related matters, in respect of:
  - an aggregate of 404,442 Paddy Power Shares, representing, in aggregate, approximately 0.918 per cent. of Paddy Power’s ordinary share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement); and
  - an aggregate of 126,062 Paddy Power Shares which may be issued upon the exercise or vesting of options and/or awards, representing, in aggregate, approximately 0.283 per cent. of Paddy Power’s fully diluted share capital in issue on 7 September 2015 (being the latest practicable date prior to this Announcement).

Further details of the irrevocable undertakings in relation to the Merger are set out in Appendix III to this Announcement.

## 6. **Change of name**

It is intended that a resolution to change the name of Paddy Power to “Paddy Power Betfair plc”, to take effect on Completion, will be put to Paddy Power Shareholders at the Paddy Power General Meeting.

## 7. **Board of Paddy Power Betfair**

The Paddy Power Betfair Board will be drawn from the current Boards of Paddy Power and Betfair as follows:

Gary McGann	Chairman
Breon Corcoran	Chief Executive Officer
Andy McCue	Chief Operating Officer
Alex Gersh	Chief Financial Officer

In addition, the Board of Paddy Power Betfair will include further non-executives from the Boards of Paddy Power and Betfair nominated to ensure equal representation between non-executives of Paddy Power and Betfair. Any executive or non-executive directors from Paddy Power not appointed to the Paddy Power Betfair Board will step down from the Paddy Power Board upon the Scheme becoming Effective. Each of the Paddy Power Directors stepping down from the Paddy Power Board is fully supportive of the rationale for the Merger and of its terms and conditions.

Any executive or non-executive directors from Betfair not appointed to the Paddy Power Betfair Board will step down from the Betfair Board upon Completion. Each of the Betfair Directors who will not join the Board of Paddy Power Betfair is fully supportive of the rationale for the Merger and of its terms and conditions.

#### **8. Listing and indexation**

In accordance with the current listings of Paddy Power and Betfair, it is expected that Paddy Power Betfair will be listed on the premium listing segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's main market for listed securities.

From Completion, it is also expected that Paddy Power Betfair will be reclassified from its current primary listing on the Irish Stock Exchange to the secondary listing segment of the Irish Stock Exchange's Main Securities Market as an overseas company. It is intended that the reclassification to a secondary listing as an overseas company would become effective on Completion.

Based on initial discussions, FTSE have indicated to the Boards of Paddy Power and Betfair that, reflecting the proposed listings of Paddy Power Betfair, they would anticipate allocating a UK nationality classification to Paddy Power Betfair for the purposes of ongoing inclusion in the FTSE UK Index Series and the FTSE Global Index Series following Completion. As such, it is anticipated that Paddy Power Betfair would be eligible for inclusion in the FTSE All-Share and the FTSE 250 or FTSE 100 as appropriate.

#### **9. Dividends and dividend policy**

The Boards of Paddy Power and Betfair have agreed to retain their current dividend policies for the period prior to Completion.

Following Completion and subject to the approval of the Paddy Power Betfair Board, Paddy Power Betfair intends to adopt a progressive dividend policy consistent with Paddy Power Betfair's enhanced growth strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the Board of Paddy Power Betfair will target a payout ratio of approximately 50 per cent. of the Combined Group's profit after tax.

The New Paddy Power Betfair Shares will carry the right to all dividends and other distributions declared, made or paid on or after Completion. For the avoidance of doubt, the New Paddy Power Betfair Shares will not carry entitlement to the special dividend referred to in paragraph 2 above.

#### **10. Information relating to Paddy Power**

Paddy Power is an international multichannel betting and gaming group. Paddy Power operates primarily in the United Kingdom, Ireland, Australia, and Italy. Paddy Power has three business segments; online, retail and telephone contributing 63 per cent., 34 per cent. and 3 per cent., respectively, by 2014 annual revenues. Paddy Power offers fixed odds sports betting, online games and casino, B2B services, as well as peer to peer games, including online bingo and poker. Paddy Power was founded in 1988 and is headquartered in Dublin, Ireland. Paddy Power employs over 5,000 people globally.

For the 52 weeks ended 31 December 2014, Paddy Power's revenue was €81.6 million (2013: €745.2 million) and it made a profit before tax of €166.6 million (2013: €141.0 million). For the six months ended 30 June 2015 Paddy Power's revenue was €27.8 million (2014: €396.5 million) and it made a profit before tax of €80.5 million (2014: €61.6 million).

Paddy Power Shares are traded on both the Irish Stock Exchange and the London Stock Exchange's main market for listed securities.



### ***Current trading***

On 26 August 2015, Paddy Power announced its interim results for the six months ended 30 June 2015. Paddy Power noted “Paddy Power has delivered a very strong performance in the first half with net revenue up 25 per cent. in constant currency and operating profit up 33 per cent. Underlying operating profit was up 68 per cent. in constant currency excluding the impact of new taxes and product fees. While this performance was broadly based across all our online and retail divisions, Australia has been the standout with reported operating profit up 78 per cent. We have made substantial progress implementing the strategy we set out in March, with further payback to come from new mobile product releases, refreshed marketing campaigns and efficiency gains. We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast”.

Current trading for Paddy Power continues in line with statements made in its announcement on 26 August 2015.

### ***Paddy Power Profit Forecast***

Included in Paddy Power's interim results announcement released on 26 August 2015 for the six months ended 30 June 2015 was a statement which for the purposes of Rule 28 of the Code constitutes a profit forecast for the financial year ending 31 December 2015.

The Paddy Power Profit Forecast, the assumptions on which the Paddy Power Profit Forecast is based and the reports from Paddy Power's reporting accountants, KPMG, and its financial adviser, Morgan Stanley, as required by Rule 28.1 of the Code are set out in Appendix V to this Announcement. Each of KPMG and Morgan Stanley has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

## **11. Information relating to Betfair**

Betfair is one of the world's largest international online sports betting providers, founded in 1999 by Andrew Black and Edward Wray. In 2000, Betfair pioneered the betting exchange concept allowing customers to bet at odds set by themselves or by other customers. The Exchange processes more than seven million transactions every day. In 2013, Betfair launched a fixed odds Sportsbook to offer greater choice to the recreational betting market. Betfair has more than 1.7 million active customers. Betfair holds gambling licences in Ireland, the UK, Gibraltar, Malta, Spain, Italy, the United States, Bulgaria, Denmark, Romania and Germany and has agreed over 50 Memoranda of Understanding with sports governing bodies. Betfair is headquartered in London, United Kingdom and employs over 2,000 people across 13 offices worldwide.

For the 52 weeks ended 30 April 2015, Betfair's revenue was £476.5 million (2014: £393.6 million) and it made a profit before tax of £101.2 million (2014: £61.1 million). For the three months ended 31 July 2015 Betfair's revenue was £135.4 million (2014: £117.3 million).

Betfair Shares are traded on the London Stock Exchange and Betfair is a member of the FTSE 250 index.

### ***Current trading***

On 26 August 2015, Betfair announced its quarterly results for the three months ended 31 July 2015. Betfair noted “While profitability in the coming quarters will be adversely affected by the loss of revenues from Portugal, phasing of marketing spend and increased product investment, Betfair continues to operate with a high level of operational gearing and our top-line momentum means we are well placed to continue to deliver profitable growth”.

Current trading for Betfair continues in line with statements made in its announcement on 26 August 2015.

## 12. Management, employees and head office location

Details of the proposed Board of Paddy Power Betfair are set out in paragraph 7 above.

Betfair and Paddy Power recognise the skills and experience of their respective management and employees and expect the management teams of both Paddy Power and Betfair to play a leading role in the combined business in the future and that employees will benefit from the greater opportunities for the business following Completion.

In order to achieve the full potential benefits of the Merger and in the long-term interests of Paddy Power Betfair, a business, operational and administrative review will be undertaken following Completion. The initial synergies work carried out has highlighted the potential to generate savings for the Combined Group in areas where there may be duplication across general corporate overheads and facilities, and by rationalising certain operational and support functions. The Paddy Power Directors and the Betfair Directors anticipate that this may involve some headcount reduction.

As at the date of this Announcement, no decisions have been made by either Paddy Power or Betfair in relation to specific actions that may be taken as part of this business, operational and administrative review. Prior to any decisions being made, there will need to be detailed discussions held between Paddy Power, Betfair and appropriate stakeholders.

The Boards of Paddy Power and Betfair have each confirmed that the existing contractual and employment rights, including pension rights, of all Paddy Power and Betfair employees will be fully safeguarded on Completion.

It is expected that the Combined Group will be headquartered in Dublin and that the Combined Group will maintain a significant presence in both Ireland and the United Kingdom.

## 13. Share Schemes

Participants in the Betfair Share Schemes will be contacted separately regarding the effect of the Merger on their outstanding awards and options under the Betfair Share Schemes and will be provided with further details concerning the proposals which will be made to them in due course. Paddy Power and Betfair have agreed that the participants in the Paddy Power Share Schemes will be treated equitably with the participants in the Betfair Share Schemes in determining whether any adjustment to their entitlements is necessary to reflect the impact of the Merger on those schemes.

### *Betfair LTIP*

Paddy Power and Betfair have agreed that outstanding awards granted under the Betfair Long Term Incentive Plan (“**Betfair LTIP Awards**”) in 2013/14, 2014/15 and 2015/16 will not vest on Completion but will be replaced by awards over an equivalent number of Paddy Power Betfair shares (calculated by reference to the Exchange Ratio) which will have the same normal vesting dates as the original awards but be subject to certain absolute vesting levels.

The vesting levels of the replacement awards will be crystallised on grant reflecting the extent to which the Betfair Remuneration Committee considers that the performance conditions applying to the relevant awards would have been satisfied at the end of the original vesting periods (the “**Betfair Fixed Vesting Level**”). The Betfair Fixed Vesting Levels for each of the awards will be as follows:

- 2013/14 LTIP awards – 100 per cent. of the underlying shares vesting in full on the normal vesting dates between July 2016 and April 2017;

- 2014/15 LTIP awards – 100 per cent. of the underlying shares vesting in full on the normal vesting dates between June 2017 and March 2018; and
- 2015/16 LTIP awards – a proportion of the underlying shares vesting in full on the normal vesting date in July 2018. This proportion will be the time-pro rata proportion of the three year vesting period (from July 2015) which has elapsed at the later of the date of Completion and the date on which the 2015 Performance Based Award (as defined below) becomes effective.

In the case of the 2015/16 awards, an additional replacement award will be granted in respect of the balance of the awards that is not reflected in the Betfair Fixed Vesting Level which will be capable of vesting in July 2018 according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied (the “**2015 Performance Based Award**”). These performance conditions will be set by the Paddy Power Betfair Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Betfair performance conditions had the Merger not occurred, taking account of the performance of Betfair in the period up to Completion.

#### *Betfair Sharesave – UK and Ireland*

Options granted under the Betfair Sharesave Plan and the Betfair Irish Sharesave Scheme will be exercisable for a period of six months following the date of the Court Order. These options will be exercisable over Betfair Shares to the extent of savings made under the related savings contract at the time of exercise. Paddy Power will offer participants in the Betfair Sharesave Plan and the Betfair Irish Sharesave Plan the opportunity (as an alternative to exercise) to exchange their options over Betfair Shares for equivalent options over Paddy Power Betfair Shares which will be eligible to vest at the normal maturity dates. The basis on which the exchange will be calculated will be subject to any approvals that may be required of relevant tax authorities.

#### *Other Betfair Employee Share Plans*

Outstanding options and awards over Betfair Shares under the Betfair Deferred Share Incentive Plan, the Betfair Restricted Share Awards Plan and the Betfair Unapproved Share Option Plan will, to the extent not already vested, vest in full in accordance with the applicable rules on the date of the Court Order.

#### *Paddy Power LTIP*

Paddy Power and Betfair have agreed that outstanding awards granted under the Paddy Power Long Term Incentive Plan (“**Paddy Power LTIP Awards**”) in 2013, 2014 and 2015 will not vest on Completion but will have the same normal vesting dates subject to certain absolute vesting levels.

The vesting levels of the Paddy Power LTIP Awards will be crystallised on Completion reflecting the extent to which the Paddy Power Remuneration Committee considers that the performance conditions applying to the relevant Paddy Power LTIP Awards would have been satisfied at the end of the original vesting periods (the “**Paddy Power Fixed Vesting Level**”). The Paddy Power Fixed Vesting Levels for each of the awards will be as follows:

- 2013 LTIP awards – 100 per cent. of the underlying shares vesting in full on the normal scheduled vesting dates in 2016;
- 2014 LTIP awards – 100 per cent. of the underlying shares vesting in full on the normal scheduled vesting dates in 2017; and

- 2015 LTIP awards – a proportion of the underlying shares vesting in full on the normal scheduled vesting dates in 2018. This proportion will be the time-pro rata proportion of the three year vesting period (from date of grant) which has elapsed at the date of Completion.

In the case of the 2015 awards, the balance of the awards not reflected in the Paddy Power Fixed Vesting Level will remain outstanding and will be capable of vesting in 2018 according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied. The existing performance conditions for such balance of the existing 2015 awards will be adjusted by the Paddy Power Betfair Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Paddy Power performance conditions had the Merger not occurred, taking account of the performance of Paddy Power in the period up to Completion.

#### *Paddy Power Share Save Scheme*

Options granted under the Paddy Power Share Save Scheme will remain unchanged and will continue in accordance with their terms.

#### *Paddy Power Share Option Scheme*

Options granted under the Paddy Power Share Option Scheme will remain unchanged and will continue in accordance with their terms.

As required by, and solely for the purposes of, Rule 16.2 of the Code, Goldman Sachs has (in its capacity as independent adviser to Betfair for the purposes of Rule 3 of the Code) confirmed to the Panel that it has reviewed the terms of the management incentivisation arrangements referred to above in relation to the Betfair Share Schemes, together with other information deemed relevant and considers them to be fair and reasonable so far as the Betfair Shareholders are concerned. In providing its advice, Goldman Sachs has taken into account the commercial assessments of Betfair. Goldman Sachs' confirmation to the Panel addressed only the matters required to be addressed by Rule 16.2 of the Code and addressed no other matter.

## **14. Conditions**

The Merger will be subject to the Conditions set out in Appendix I to this Announcement. The Scheme and the Merger is conditional, amongst other things, on:

- the Court Meeting and the Betfair General Meeting being held on or before the 22<sup>nd</sup> day after the expected date of such meetings as set out in the Scheme Document in due course (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the approval of the Scheme by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- the approval of, amongst other things, such of the Betfair Resolutions as are necessary to implement the Merger by the requisite majorities of Betfair Shareholders at the Betfair General Meeting (or any adjournment thereof);
- the Scheme being sanctioned by the Court (with or without modification, on terms agreed by Paddy Power and Betfair) on or before the 22<sup>nd</sup> day after the expected date of the Court Hearing to approve the Scheme as set out in the Scheme Document in due course (or such

later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);

- the Scheme becoming unconditional and effective no later than the Long Stop Date (or such later date as Paddy Power and Betfair may, with the consent of the Panel, agree and (if required) the Court may allow) and the delivery of the office copy of the Court Order to the Registrar of Companies;
- all relevant anti-trust approvals being obtained (as further described in paragraphs (f),(g),(h) and (i) of Appendix I to this Announcement);
- the Court Hearing being held on or before the 22<sup>nd</sup> day after the expected date of the Court sanction as set out in the Scheme Document in due course (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- approval of such of the Paddy Power Resolutions as are necessary to implement the Merger by the requisite majorities of Paddy Power Shareholders at the Paddy Power General Meeting (or any adjournment thereof); and
- the UK Listing Authority, the London Stock Exchange and Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Paddy Power Betfair Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange having acknowledged to Paddy Power Betfair or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's regulated market for listed securities.

## 15. Offer-related arrangements

### *Confidentiality Agreement*

Paddy Power and Betfair have entered into a mutual Confidentiality Agreement dated 18 August 2015 pursuant to which each of Paddy Power and Betfair has undertaken to keep certain information relating to the Merger and the other party confidential and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force until Completion.

### *Co-operation Agreement*

Paddy Power and Betfair have entered into a Co-operation Agreement on 8 September 2015 in connection with the Merger.

Pursuant to the Co-operation Agreement, Paddy Power and Betfair have agreed to co-operate with each other and to each use its reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy certain of the Conditions, including by accepting the imposition of, or offering, undertakings or commitments by or to the relevant authorities that are acceptable to both Paddy Power and Betfair.

Paddy Power and Betfair have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory clearances and authorisations.

Paddy Power or Betfair may terminate the Co-operation Agreement if the Scheme has not become effective by a specified date, the consummation of the Merger becomes illegal or otherwise prohibited, the Betfair Resolutions which are necessary to implement the Merger are not approved at the Betfair General Meeting, the Paddy Power Resolutions which are necessary to implement the Merger are not approved at the Paddy Power General Meeting or the Scheme or Merger Offer, as the case may be, is withdrawn or lapses before the specified date.

Paddy Power has the right to terminate the Co-operation Agreement if the Betfair Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Paddy Power or fails to publicly reaffirm, its recommendation of the Merger until such time as the Betfair Resolutions which are necessary to implement the Merger have been approved or if the Betfair Board or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions. Betfair has the right to terminate the Co-operation Agreement if the Paddy Power Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Betfair or fails to publicly reaffirm, its recommendation of the Merger until such time as the Paddy Power Resolutions which are necessary to implement the Merger have been approved or if the Paddy Power Board or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions.

The Co-operation Agreement records Paddy Power's and Betfair's intention to implement the Merger by way of the Scheme, subject to the ability of Paddy Power to proceed by way of a Merger Offer: (i) with Betfair's consent; (ii) if a third party announces a firm intention to make an offer for the issued and to be issued ordinary share capital of Betfair which is recommended by the Betfair Board; or (iii) if the Betfair Board withdraws its unanimous and unconditional approval of the Scheme.

## 16. Structure of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Betfair and the Scheme Shareholders, under Part 26 of the Companies Act, under which Paddy Power will acquire all of the shares in Betfair. However, Paddy Power reserves the right to implement the Merger by way of a Merger Offer, subject to Panel consent and the terms of the Co-operation Agreement.

The purpose of the Scheme is to provide for Paddy Power to become the holder of the entire issued and to be issued ordinary share capital of Betfair. This is to be achieved by the transfer of the Scheme Shares to Paddy Power in consideration for which Scheme Shareholders will receive New Paddy Power Betfair Shares on the basis set out in paragraph 2 of this Announcement.

Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Betfair General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled.

Scheme Shares will be acquired by Paddy Power pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Paddy Power and Betfair agree.

The New Paddy Power Betfair Shares issued to Scheme Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Paddy Power Shares, including the right to receive dividends and other distributions declared, made or paid on Paddy Power Shares by reference to a record date falling after the Effective Date. For the avoidance of doubt, the New Paddy Power Betfair Shares will not carry entitlement to the special dividend

referred to in paragraph 2 above. The New Paddy Power Betfair Shares will be issued in registered form and will trade under the same ISIN number as the existing Paddy Power Shares.

Fractions of New Paddy Power Betfair Shares will not be allotted or issued to Scheme Shareholders and entitlements will be rounded down to the nearest whole number of Paddy Power Shares and all fractions of New Paddy Power Betfair Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of such sale (after deduction of all expenses and commissions incurred in connection with the sale) will be distributed by Paddy Power in due proportions to Scheme Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will be retained for the benefit of the Combined Group.

If the Scheme does not become Effective on or before the Long Stop Date (or such later date as Paddy Power and Betfair may agree with the consent of the Panel), it will lapse and the Merger will not proceed.

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the Betfair General Meeting. The Scheme Document will also contain the expected timetable for the Merger, and will specify the necessary actions to be taken by Betfair Shareholders.

The Scheme Document, together with the Forms of Proxy, will be posted to Betfair Shareholders and, for information only, to persons with information rights and to holders of options and awards granted under the Betfair Share Schemes in November 2015. For the purposes of paragraph 3(a) of Appendix 7 to the Code and with the agreement of Betfair, the Panel has consented to these arrangements. It is expected that the Betfair General Meeting will be held in December, at the same time as the Paddy Power General Meeting. Completion is expected to occur during the first quarter of 2016, subject to the Conditions and certain further terms set out in Appendix I to this Announcement.

#### **17. Paddy Power General Meeting**

Given the size of Betfair relative to the current size of Paddy Power, the Merger will require the approval of Paddy Power Shareholders as it constitutes a class 1 transaction for Paddy Power under the Listing Rules. Accordingly, Paddy Power will be required to seek the approval of Paddy Power Shareholders for the Merger at the Paddy Power General Meeting and to authorise an increase in the share capital of Paddy Power and the allotment of the New Paddy Power Betfair Shares.

The Paddy Power Circular summarising the background to and reasons for the Merger and containing the notice convening the Paddy Power General Meeting will be sent to Paddy Power Shareholders at the same time as the Scheme Document is posted to Betfair Shareholders, which is expected to be in November 2015. It is expected that the Paddy Power General Meeting will be held in December, at the same time as the Betfair General Meeting.

Paddy Power will also be required to make the Paddy Power Betfair Prospectus available to the public in accordance with the Prospectus Rules. The Paddy Power Betfair Prospectus will contain information relating to the Combined Group and the New Paddy Power Betfair Shares. It is expected that the Paddy Power Betfair Prospectus will be published at or around the same time as the Scheme Document is posted to Betfair Shareholders and the Paddy Power Circular is posted to Paddy Power Shareholders.

#### **18. Accounting considerations**

The Paddy Power financial year ends on 31 December and the Betfair financial year ends on 30 April. It is intended that Paddy Power Betfair will have an accounting financial year ending on 31 December and that it will pay an interim dividend in September and a final dividend in May. It is also expected that Paddy Power Betfair's reporting currency will be GBP.

For accounting purposes, it is expected that Betfair will be consolidated into Paddy Power's balance sheet. A fair value exercise in respect of Betfair's assets and liabilities will be conducted following Completion, resulting in Betfair's assets and liabilities being included at fair value on the Combined Group's balance sheet. Intangible assets arising will include goodwill and brands.

#### **19. Listing, dealings and settlement of the New Paddy Power Betfair Shares**

Applications will be made to the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange, respectively for the New Paddy Power Betfair Shares to be admitted to: (i) the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Paddy Power Betfair Shares will commence on the London Stock Exchange and the Irish Stock Exchange at 8.00 a.m. on or shortly after the Effective Date.

#### **20. De-listing of Betfair**

Prior to the Scheme becoming Effective, applications will be made to the UK Listing Authority for the cancellation of the listing of the Betfair Shares on the Official List of the FCA and to the London Stock Exchange for the cancellation of trading of the Betfair Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Effective Date.

On the Effective Date, Betfair will become a wholly-owned subsidiary of Paddy Power and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled.

#### **21. Disclosure of interest in relevant securities**

As at the close of business on 7 September 2015, being the last practicable date prior to the publication of this Announcement, save for: (i) the disclosures in this paragraph 21; and (ii) the irrevocable undertakings referred to in paragraph 5 above, none of Paddy Power or any of its directors or, so far as Paddy Power and the Paddy Power Directors are aware, any person acting, or deemed to be acting, in concert with Paddy Power:

- had an interest in, or right to subscribe for, relevant securities of Betfair;
- had any short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of Betfair;
- had procured an irrevocable commitment or letter of intent to accept the Merger in respect of relevant securities of Betfair; or
- had borrowed or lent any Betfair Shares.

Furthermore, no arrangement exists with Paddy Power, Betfair or an associate of Paddy Power in relation to Betfair Shares. For these purposes, an "arrangement" includes any indemnity or option arrangement, any agreement or any understanding, formal or informal, of whatever nature, relating to Betfair Shares which may be an inducement to deal or refrain from dealing in such securities.

Paddy Power confirms that it made an Opening Position Disclosure, setting out the details required to be disclosed by it under Rule 8.1(a) of the Code, on 7 September 2015.



Betfair confirms that it made an Opening Position Disclosure, setting out the details required to be disclosed by it under Rule 8.2(a) of the Code, on 7 September 2015.

## **22. Overseas Shareholders**

The availability of New Paddy Power Betfair Shares under the Merger, and the distribution of this Announcement to persons who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction in which they are located. Such persons should inform themselves of and observe any applicable legal or regulatory requirements of their jurisdiction. Betfair Shareholders who are in doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. Betfair Shareholders are advised to read carefully the Scheme Document, the Paddy Power Betfair Prospectus and the Forms of Proxy once these have been dispatched. Paddy Power Shareholders are advised to read carefully the Paddy Power Betfair Prospectus, the Paddy Power Circular and the form of proxy accompanying the Paddy Power Circular once these have been dispatched.

## **23. General**

The Merger will be subject to the Conditions and certain further terms set out in Appendix I and to be set out in the Scheme Document when published.

The Scheme and the Merger will lapse if there is a Phase 2 CMA Reference before the later of the Court Meeting and the Betfair General Meeting. In such event, Betfair will not be bound by the terms of the Scheme.

The Scheme will be governed by English law and will be subject to the jurisdiction of the courts of England and Wales. The Scheme will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange, the Irish Stock Exchange and the FCA.

The bases and sources of certain financial information contained in this Announcement are set out in Appendix II. Certain terms used in this Announcement are defined in Appendix VI.

A copy of this Announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Paddy Power's website at [www.paddypowerplc.com](http://www.paddypowerplc.com) and on Betfair's website at <http://corporate.betfair.com> by no later than 12 noon (London time) on the day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated and do not form part of this Announcement.

## **24. Documents available on website**

Copies of the following documents will be published by no later than 12 noon (London time) on the day following this Announcement on Paddy Power's website at [www.paddypowerplc.com](http://www.paddypowerplc.com) and on Betfair's website at <http://corporate.betfair.com> and will be made available until the end of the Offer Period:

- a copy of this Announcement;
- the irrevocable undertakings referred to in paragraph 5 and set out in Appendix III to this Announcement;
- the Confidentiality Agreement referred to in paragraph 15; and
- the Co-operation Agreement referred to in paragraph 15.

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## **Important notices**

*Morgan Stanley which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom is acting as financial adviser to Paddy Power and no one else in connection with the Merger. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this Announcement or any other matter referred to herein.*

*IBI Corporate Finance, which is regulated in Ireland by the Central Bank of Ireland, is acting exclusively for Paddy Power and for no one else in connection with the Merger and will not be responsible to anyone other than Paddy Power for providing the protections afforded to customers of*

*IBI Corporate Finance or for providing advice in relation to the Merger, the contents of this Announcement or any transaction or arrangement referred to herein.*

*Goodbody Stockbrokers, trading as Goodbody, which is regulated in Ireland by the Central Bank of Ireland, is acting exclusively for Paddy Power and for no one else in connection with the Merger and will not be responsible to anyone other than Paddy Power for providing the protections afforded to customers of Goodbody or for providing advice in relation to the Merger, the contents of this Announcement or any transaction or arrangement referred to herein.*

*Goldman Sachs, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Betfair and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Betfair for providing the protections afforded to clients of Goldman Sachs, or for providing advice in connection with the Merger, the contents of this Announcement or any other matter referred to herein.*

### **Forward-looking statements**

*This Announcement contains statements about Paddy Power, Betfair and the Combined Group that are or may be forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “should”, “continue”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Paddy Power’s, Betfair’s or the Combined Group’s operations and potential synergies resulting from the Merger; and (iii) the effects of government regulation on Paddy Power’s, Betfair’s or the Combined Group’s business.*

*Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Paddy Power and Betfair disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law or regulation.*

***If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Market Act 2000 (as amended) if you are resident in the United Kingdom, or authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the European Communities (Markets in Financial Instruments) Regulations (Numbers 1 to 3) 2007 if you are resident in Ireland, or, if not, from another appropriately authorised independent financial adviser.***

### **Quantified Financial Benefits Statement**

*Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast (other than the Paddy Power Profit Forecast) or interpreted to mean that the Combined Group’s earnings in*

*the first full year following the effective date of the Scheme, or in any subsequent period, would necessarily match or be greater than or be less than those of Paddy Power and/or Betfair for the relevant preceding financial period or any other period. For the purposes of Rule 28 of the Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of Paddy Power and the Paddy Power Directors.*

### **Paddy Power Profit Forecast**

*The Paddy Power Profit Forecast is a profit forecast for the purposes of Rule 28 of the Code. The Paddy Power Profit Forecast, the assumptions on which the Paddy Power Profit Forecast is based and the reports from Paddy Power's reporting accountants, KPMG, and its financial adviser, Morgan Stanley, as required by Rule 28.1 of the Code are set out in Appendix V to this Announcement. Each of KPMG and Morgan Stanley has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.*

*Other than the Paddy Power Profit Forecast, no statement in this Announcement is intended as a profit forecast or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Paddy Power or Betfair, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Paddy Power or Betfair, as appropriate.*

### **Opening Position and Dealing Disclosure Requirements under the Code**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

### **Further information**

*This Announcement is for information purposes only. It is not intended to and does not constitute, or form part of, any offer, invitation or the solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The Merger will be effected solely by means of the Scheme Document which, together with the Forms of Proxy, will contain the full terms and conditions of the Merger including details of how to vote in respect of the Merger.*

*Betfair will prepare the Scheme Document to be distributed to Betfair Shareholders and Paddy Power will prepare the Paddy Power Circular to be distributed to Paddy Power Shareholders. Paddy Power will also publish the Paddy Power Betfair Prospectus containing information about the New Paddy Power Betfair Shares and the Combined Group. Betfair urges Betfair Shareholders to read the Scheme Document and the Paddy Power Betfair Prospectus when they become available because they will contain important information in relation to the Merger, the New Paddy Power Betfair Shares and the Combined Group. Paddy Power urges Paddy Power Shareholders to read the Paddy Power Circular and the Paddy Power Betfair Prospectus when they become available because they will contain important information in relation to the Merger, the New Paddy Power Betfair Shares and the Combined Group. Any vote in respect of the Scheme or other response in relation to the Merger should be made only on the basis of the information contained in the Scheme Document and the Paddy Power Betfair Prospectus, or the Paddy Power Circular and the Paddy Power Betfair Prospectus, as appropriate.*

*This Announcement has been prepared for the purposes of complying with English law, the rules of the London Stock Exchange and the Code and where applicable, Irish law and the rules of the Irish Stock Exchange and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any other jurisdictions.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*Please be aware that addresses, electronic addresses and certain other information provided by Betfair Shareholders, persons with information rights and other relevant persons for the receipt of communications from Betfair may be provided to Paddy Power during the Offer Period as required under Section 4 of Appendix 4 of the Code.*

### **Overseas jurisdictions**

*The release, publication or distribution of this Announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this Announcement and all other announcements relating to the Merger are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or sent in, into or from any restricted jurisdiction. Persons receiving such announcements (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the*

*Merger disclaim any responsibility or liability for the violations of any such restrictions by any person.*

*The Merger relates to the acquisition of shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Paddy Power were to elect to implement the Merger by means of a Merger Offer, such Merger Offer will be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a Merger Offer would be made in the United States by Paddy Power and no one else. In addition to any such Merger Offer, Paddy Power, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Betfair outside such Merger Offer during the period in which such Merger Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website: [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*The financial information included in this Announcement has been prepared in accordance with accounting standards applicable in the UK and Ireland and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*The New Paddy Power Betfair Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Paddy Power Betfair Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Paddy Power Betfair Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Betfair Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Paddy Power or Betfair prior to, or of Paddy Power after, the Effective Date will be subject to certain US transfer restrictions relating to the New Paddy Power Betfair Shares received pursuant to the Scheme. For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Betfair will advise the Court that its sanctioning of the Scheme will be relied upon by Paddy Power as an approval of the Scheme following a hearing on its fairness to Betfair Shareholders.*

*The receipt of New Paddy Power Betfair Shares pursuant to the Merger by a US Betfair Shareholder may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other, tax laws. Each Betfair Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger.*

*It may be difficult for US Betfair Shareholders to enforce their rights and claims arising out of the US federal securities laws, since Paddy Power and Betfair are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US Betfair Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.*

*None of the securities referred to in this Announcement have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor*

*have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Announcement. Any representation to the contrary is a criminal offence in the United States.*

*Unless otherwise determined by Paddy Power or required by the Code, and permitted by applicable law and regulation, the Merger will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Merger by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Merger are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Announcement and all documents relating to the Merger (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.*

*The availability of New Paddy Power Betfair Shares under the Merger to Betfair Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.*

*Copies of this Announcement and formal documentation relating to the Merger will not be and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction.*

#### **Information relating to Betfair Shareholders**

*Please be aware that addresses, electronic addresses and certain information provided by Betfair Shareholders, persons with information rights and other relevant persons for the receipt of communications from Betfair may be provided to Paddy Power during the offer period as requested under Section 4 of Appendix 4 of the Code to comply with Rule 2.12(c).*

#### **Publication on websites and availability of hard copies**

*A copy of this Announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Paddy Power's website [www.paddypowerplc.com](http://www.paddypowerplc.com) and on Betfair's website [www.corporate.betfair.com](http://www.corporate.betfair.com) by no later than 12 noon (London time) on the day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated and do not form part of this Announcement.*

*Paddy Power Shareholders may request a hard copy of this Announcement by contacting Ed Traynor, Group General Counsel, Paddy Power, Belfield Office Park, Beechill Road, Clonskeagh, Dublin 4, tel: +353 (1) 9021544. Betfair Shareholders may request a hard copy of this Announcement by contacting the Company Secretary, Betfair Group plc, Waterfront, Hammersmith Embankment, Chancellors Road, London W6 9HP, tel: +44 (0) 20 8834 8000 . You may also request that all future documents, announcements and information to be sent to you in relation to the Merger should be in hard copy form.*

#### **Rounding**

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

## APPENDIX I

### CONDITIONS AND FURTHER TERMS OF THE MERGER

The Merger will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange, the Irish Stock Exchange and the FCA.

The Merger will be subject to the terms and conditions set out below and to be set out in the Scheme Document.

The Scheme will be governed by English law and will be subject to the exclusive jurisdiction of the English courts.

Each Condition shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

#### Part 1: Conditions of the Merger

- (a) The Merger will be conditional upon the Scheme becoming unconditional and effective, subject to the Code, by no later than 11.59 p.m. on the Long Stop Date.

#### Scheme approval

- (b) The Scheme will be conditional upon:
  - (i) (I) the approval by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required (or any adjournment thereof); and (II) such Court Meeting (or any adjournment thereof) being held on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as Betfair and Paddy Power may agree in writing and the Court may allow);
  - (ii) (I) all resolutions required to approve and implement the Scheme and to approve certain related matters being duly passed by the requisite majorities at the Betfair General Meeting (or any adjournment thereof); and (II) the Betfair General Meeting (or any adjournment thereof) being held on or before the 22nd day after the expected date of the Betfair General Meeting to be set out in the Scheme Document in due course (or such later date as Betfair and Paddy Power may agree in writing and the Court may allow); and
  - (iii) (I) the sanction of the Scheme by the Court (with or without modification (but subject to such modification being acceptable to Betfair and Paddy Power) and the delivery of the office copy of the Court Order to the Registrar of Companies; and (II) the Court Hearing being held on or before the 22nd day after the expected date of the Court sanction to be set out in the Scheme Document in due course (or such later date as Betfair and Paddy Power may agree in writing and the Court may allow).

In addition, Betfair and Paddy Power have agreed that, subject to the requirements of the Panel in accordance with the Code, the Merger will also be conditional upon, and accordingly the necessary



actions to make the Scheme Effective will only be taken on, the satisfaction or, where relevant, waiver of the following Conditions:

#### **Paddy Power shareholder authorities**

- (c) the passing at the Paddy Power General Meeting (or any adjournment thereof) of such resolution or resolutions as are necessary to approve, implement and give effect to the Merger and the acquisition of Scheme Shares pursuant to the Merger or otherwise (as such resolutions may be set out in the Paddy Power Circular, including a resolution or resolutions to authorise the creation and allotment of the New Paddy Power Betfair Shares);

#### **Admission of New Paddy Power Betfair Shares**

- (d) (i) the FCA having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Paddy Power Betfair Shares to the Official List of the FCA with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (*UK listing conditions*)) admission will become effective as soon as a dealing notice has been issued by the FCA and any UK listing conditions have been satisfied; and (ii) the London Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to trading on the main market of the London Stock Exchange;
- (ii) the Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Paddy Power Betfair Shares to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (*Irish listing conditions*)) admission will become effective as soon as a dealing notice has been issued by the Irish Stock Exchange and any Irish listing conditions have been satisfied; and (ii) the Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to trading on the Main Securities Market of the Irish Stock Exchange;

#### **Regulatory conditions**

- (e) Betfair making an application to the UKGC pursuant to section 102(2)(b) of the UK Gambling Act for a determination that all operating licenses (as defined in the UK Gambling Act) held by members of the Betfair Group shall continue to have effect following completion of the Merger and the UKGC making such a determination in relation to such application pursuant to section 102(4)(a) of the UK Gambling Act;

#### **Merger control**

- (f) any of the following events having occurred:
  - (i) confirmation having been received in writing from the CMA, in terms satisfactory to both Betfair and Paddy Power, that the CMA does not intend to refer the Merger or any matters arising therefrom for a Phase 2 CMA Reference or to seek undertakings in lieu of a Phase 2 CMA Reference under

- section 73 of the Enterprise Act 2002 except on terms satisfactory to both Betfair and Paddy Power; or
- (ii) the period within which the CMA is required by section 34ZA of the Enterprise Act 2002 to decide whether the duty to make a Phase 2 CMA Reference applies has expired without such a decision having been made; or
  - (iii) following a Phase 2 CMA Reference of the Merger or any matters arising therefrom, confirmation having been received from the CMA that:
    - (A) the Merger may proceed without any undertakings, conditions or orders, or
    - (B) the Merger may proceed subject to the giving of such undertakings by, or the imposition of such conditions or orders on, any of Betfair, Paddy Power or the Combined Group as shall be satisfactory to both Betfair and Paddy Power;
- (g) any of the following events having occurred:
- (i) receipt by any of Betfair or Paddy Power of a written notice under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (*FATA*) from the Australian Commonwealth Treasurer (or his delegate) stating that, or to the effect that, the Australian Commonwealth Government does not object to the Merger either without condition or on terms acceptable to both Betfair and Paddy Power; or
  - (ii) expiry of the applicable statutory waiting period under FATA;
- (h) all applicable filings having been made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the rules and regulations made thereunder and the expiration or early termination of any applicable waiting periods (including any extensions thereof) required pursuant to that Act, as amended and those rules and regulations;
- (i) any of the following events having occurred:
- (i) the CCPC having informed Paddy Power and Betfair of its determination pursuant to either section 21(2)(a) or section 22(3)(a) of the ICA that the Merger may be put into effect;
  - (ii) the CCPC having informed Paddy Power and Betfair of its determination pursuant to section 22(3)(c) of the ICA that the Merger may be put into effect subject to conditions specified by the CCPC being complied with and the conditions being acceptable to both Paddy Power and Betfair;
  - (iii) the period specified in Section 21(2) of the ICA (as may be extended under section 21(4) of the ICA) having elapsed without the CCPC having informed Paddy Power and Betfair of its determination (if any) under section 21(2) of the ICA; or
  - (iv) where applicable, 120 working days (or 135 working days if section 22(4B) of the ICA applies), and any period of suspension that applies pursuant to section 22(4A) of the ICA, after the “appropriate date” (as defined by section

19(6) of the ICA) having elapsed without the CCPC having informed Paddy Power and Betfair of its determination (if any) under section 22(3) of the ICA;

### **Other Third Party clearances**

- (j) without prejudice to any of the Conditions set out above, no central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever in any jurisdiction (each a *Third Party*) having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision, order or change to published practice and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
  - (i) make the Merger, its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Betfair Group by any member of the Wider Paddy Power Group void, illegal and/or unenforceable under the laws of any relevant jurisdiction, or otherwise directly or indirectly prevent, prohibit, or materially restrain, restrict, impede, challenge, delay or otherwise interfere with the implementation of, or impose additional material conditions or obligations with respect to, the Merger or the acquisition of any shares or other securities in, or control or management of, any member of the Wider Betfair Group by any member of the Wider Paddy Power Group;
  - (ii) require, prevent or delay the divestiture or alter the terms envisaged for such divestiture by any member of the Wider Paddy Power Group or by any member of the Wider Betfair Group of all or any part of their businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their businesses (or any part thereof) or to own, control or manage any of their assets or properties (or any part thereof) to an extent which is material in the context of the Wider Betfair Group or the Wider Paddy Power Group or in the context of the Merger (as the case may be);
  - (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider Paddy Power Group directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in Betfair (or any member of the Wider Betfair Group) or on the ability of any member of the Wider Betfair Group or any member of the Wider Paddy Power Group directly or indirectly to hold or exercise effectively any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Betfair Group to an extent which is material in the context of the Wider Betfair Group or the Wider Paddy Power Group or in the context of the Merger (as the case may be);

- (iv) other than pursuant to the implementation of the Merger, require any member of the Wider Paddy Power Group or the Wider Betfair Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Betfair Group or any asset owned by any third party which is material in the context of the Wider Betfair Group or the Wider Paddy Power Group or in the context of the Merger (as the case may be);
  - (v) require, prevent or materially delay a divestiture by any member of the Wider Paddy Power Group of any shares or other securities (or the equivalent) in any member of the Wider Betfair Group;
  - (vi) result in any member of the Wider Betfair Group ceasing to be able to carry on business under any name under which it presently carries on business to an extent which is material in the context of the Wider Betfair Group or in the context of the Merger;
  - (vii) impose any limitation on the ability of any member of the Wider Paddy Power Group or any member of the Wider Betfair Group to conduct, integrate or co-ordinate all or any part of their respective businesses with all or any part of the business of any other member of the Wider Paddy Power Group and/or the Wider Betfair Group in a manner which is materially adverse to the Wider Paddy Power Group or the Wider Betfair Group or material in the context of the Merger; or
  - (viii) except as Fairly Disclosed, otherwise affect the business, assets, value, profits, prospects or operational performance of any member of the Wider Betfair Group or any member of the Wider Paddy Power Group in each case in a manner which is materially adverse in the context of the Wider Betfair Group or the Wider Paddy Power Group or material in the context of the Merger;
- (k) all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Merger or proposed acquisition of any Betfair Shares by Paddy Power or otherwise intervene having expired, lapsed, or been terminated;
  - (l) no material undertakings or assurances being sought from Paddy Power, any member of the Wider Paddy Power Group or any member of the Wider Betfair Group by any Third Party, except on terms reasonably satisfactory to Paddy Power;
  - (m) all material notifications, filings or applications which are deemed by Paddy Power (acting reasonably) to be necessary or appropriate having been made in connection with the Merger and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all material statutory and regulatory obligations in any jurisdiction having been complied with and all material Authorisations which are deemed by Paddy Power (acting reasonably) to be necessary or appropriate in any jurisdiction for or in respect of the Merger or the proposed acquisition of any shares or other securities in, or control of, Betfair by any

member of the Wider Paddy Power Group having been obtained in terms and in a form reasonably satisfactory to Paddy Power from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Betfair Group or the Wider Paddy Power Group has entered into contractual arrangements and all such material Authorisations which are deemed by Paddy Power (acting reasonably) to be necessary or appropriate to carry on the business of any member of the Wider Betfair Group in any jurisdiction having been obtained in each case where the direct consequence of a failure to make such notification or filing or to wait for the expiry, lapse or termination of any such waiting or other time period or to comply with such obligation or obtain such material Authorisation would be unlawful in any relevant jurisdiction or have a material adverse effect on the Wider Betfair Group, the Wider Paddy Power Group or the ability of Paddy Power to implement the Merger and all such material Authorisations remaining in full force and effect at the time at which the Merger becomes otherwise unconditional in all respects and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such material Authorisations;

- (n) no temporary restraining order, preliminary or permanent injunction, preliminary or permanent injunction, or other order threatened or issued and being in effect by a court or other Third Party which has the effect of making the Merger or any acquisition or proposed acquisition of any shares or other securities or control or management of, any member of the Wider Betfair Group by any member of the Wider Paddy Power Group, or the implementation of either of them, void, voidable, illegal and/or enforceable under the laws of any relevant jurisdiction, or otherwise directly or indirectly prohibiting, preventing, restraining, restricting, delaying or otherwise interfering with the consummation or the approval of the Merger or any matter arising from the proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Betfair Group by any member of the Wider Paddy Power Group;

#### **Confirmation of absence of adverse circumstances**

- (o) except as Fairly Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Betfair Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Merger or the proposed acquisition by any member of the Wider Paddy Power Group of any shares or other securities in Betfair or because of a change in the control or management of any member of the Wider Betfair Group or otherwise, would or might reasonably be expected to result in, in each case to an extent which is material in the context of the Wider Betfair Group or in the context of the Merger:
  - (i) any monies borrowed by, or any other indebtedness, actual or contingent of, or any grant available to, any member of the Wider Betfair Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;

- (ii) the rights, liabilities, obligations, interests or business of any member of the Wider Betfair Group or any member of the Wider Paddy Power Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Betfair Group or any member of the Wider Paddy Power Group in or with any other firm or company or body or person (or any agreement or arrangement relating to any such business or interests) being or likely to become terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken or arising thereunder;
- (iii) any member of the Wider Betfair Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider Betfair Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Betfair Group otherwise than in the ordinary course of business;
- (v) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Betfair Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen), becoming enforceable;
- (vi) the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider Betfair Group being materially prejudiced or adversely affected;
- (vii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider Betfair Group; or
- (viii) any liability of any member of the Wider Betfair Group to make any severance, termination, bonus or other payment to any of its directors or other officers;

**No material transactions, claims or changes in the conduct of the business of the Betfair Group**

- (p) except as Fairly Disclosed, no member of the Wider Betfair Group having since 30 April 2015:
  - (i) save as between Betfair and its wholly-owned subsidiaries or between such wholly-owned subsidiaries and save for the issue of Betfair Shares on the exercise of options or vesting of awards granted before the date of this Announcement in the ordinary course, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Betfair Shares out of Treasury;

- (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than to Betfair or one of its wholly-owned subsidiaries;
- (iii) save as between Betfair and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, merged with (by statutory merger or otherwise) or demerged from or acquired any body corporate, partnership or business or acquired or disposed of, or, other than in the ordinary course of business, transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so;
- (iv) save as between Betfair and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, made, authorised, proposed or announced an intention to propose any change in its loan capital;
- (v) issued, authorised or proposed or announced an intention to authorise or propose the issue of, or made any change in or to the terms of, any debentures or (save in the ordinary course of business and save as between Betfair and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) incurred or increased any indebtedness or become subject to any contingent liability to an extent which is material in the context of the Wider Betfair Group or in the context of the Merger;
- (vi) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) (otherwise than in the ordinary course of business) which is of a long term, unusual or onerous nature, or which involves or could reasonably be expected to involve an obligation of a nature or magnitude which is, in any such case, material in the context of the Wider Betfair Group or in the context of the Merger, or which is or is reasonably likely to be restrictive on the business of any member of the Wider Paddy Power Group or the Wider Betfair Group to an extent which is or is likely to be material to the Wider Paddy Power Group or the Wider Betfair Group or in the context of the Merger;
- (vii) entered into any licence or other disposal of intellectual property rights of any member of the Wider Betfair Group which is outside the normal course of business;
- (viii) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, commitment, arrangement or any service agreement with any director or senior executive of the Wider Betfair Group to an extent which is material in the context of the Merger, save for salary increases, bonuses or variations of terms in the ordinary course and consistent with past practice;
- (ix) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme, or other benefit relating to the employment or

termination of employment of any employee of the Wider Betfair Group which are material in the context of the Wider Betfair Group or in the context of the Merger;

- (x) entered into, implemented or effected, or authorised, proposed or announced its intention to implement or effect, any joint venture, asset or profit sharing arrangement, partnership, composition, assignment, reconstruction, amalgamation, commitment, scheme or other transaction or arrangement (other than the Merger) which is material in the context of the Wider Betfair Group or in the context of the Merger;
- (xi) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
- (xii) waived, compromised or settled any claim otherwise than in the ordinary course of business which is material in the context of the Wider Betfair Group or in the context of the Merger;
- (xiii) made any material alteration to its articles of association or other constitutional documents;
- (xiv) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, manager, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xvi) entered into any contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition;
- (xvii) terminated or varied the terms of any agreement or arrangement between any member of the Wider Betfair Group and any other person in a manner which would or might be expected to have a material adverse effect on the financial position of the Wider Betfair Group; or
- (xviii) having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Betfair



Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Code;

**No material adverse change**

- (q) since 30 April 2015 and except as Fairly Disclosed:
  - (i) there having been no adverse change and no circumstance having arisen which would be expected to result in any adverse change or deterioration in the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider Betfair Group to an extent which is material to the Wider Betfair Group or in the context of the Merger;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings including, without limitation, with regard to intellectual property rights used by the Wider Betfair Group having been threatened, announced or instituted by or against or remaining outstanding against any member of the Wider Betfair Group or to which any member of the Wider Betfair Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry, review, investigation or enforcement proceedings by, or complaint or reference to, any Third Party against or in respect of any member of the Wider Betfair Group having been threatened, announced or instituted by or against, or remaining outstanding in respect of, any member of the Wider Betfair Group which, in any such case, might reasonably be expected to have a material adverse effect on the Wider Betfair Group or material in the context of the Merger;
  - (iii) no contingent or other liability having arisen, increased or become apparent which might be likely adversely to affect the business, assets, financial or trading position, profits, prospects or operational performance of any member of the Wider Betfair Group to an extent which is material to the Wider Betfair Group or in the context of the Merger; and
  - (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Betfair Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and likely to have an adverse effect on the Wider Betfair Group or be material in the context of the Merger;
- (r) since 30 April 2015, and except as Fairly Disclosed, Paddy Power not having discovered:
  - (i) that any financial, business or other information concerning the Wider Betfair Group publicly announced or disclosed to any member of the Wider Paddy Power Group at any time by or on behalf of any member of the Wider Betfair Group or to any of their advisers is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make that information not misleading and which is, in any case, material in the context of the Wider Betfair Group or in the context of the Merger;

- (ii) that any member of the Wider Betfair Group is subject to any liability, contingent or otherwise which is material in the context of the Wider Betfair Group or in the context of the Merger; or
- (iii) any information which affects the import of any information disclosed to Paddy Power at any time by or on behalf of any member of the Wider Betfair Group which is material in the context of the Wider Betfair Group or in the context of the Merger;

### **Intellectual Property**

- (s) no circumstance having arisen or event having occurred in relation to any intellectual property owned or used by any member of the Wider Betfair Group which would have a material adverse effect on the Wider Betfair Group or which is otherwise material in the context of the Merger, including:
  - (i) any member of the Wider Betfair Group losing its title to any intellectual property material to its business, or any intellectual property owned by the Wider Betfair Group and material to its business being revoked, cancelled or declared invalid;
  - (ii) any claim being asserted in writing or threatened in writing by any person challenging the ownership of any member of the Wider Betfair Group to, or the validity or effectiveness of, any of its intellectual property; or
  - (iii) any agreement regarding the use of any intellectual property licensed to or by any member of the Wider Betfair Group being terminated or varied;

### **Anti-corruption and sanctions**

- (t) except as Fairly Disclosed, Paddy Power not having discovered that:
  - (i) any past or present member, director, officer or employee of the Wider Betfair Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in contravention of the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended or any other applicable anti-corruption legislation;
  - (ii) any past or present member, director, officer or employee of the Wider Betfair Group or any person that performs or has performed services for or on behalf of any such company has engaged in any activity or business with, or made any investments in, or made any funds or assets available to, or received any funds or assets from, any government, entity or individual covered by any of the economic sanctions administered by the United Nations or the European Union (or any of their respective member states) or the United States Office of Foreign Assets Control; and

### **No criminal property**

- (u) except as Fairly Disclosed, Paddy Power not having discovered that any asset of any member of the Wider Betfair Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

## **Part 2: Waiver and invocation of the Conditions**

Subject to the requirements of the Panel, Paddy Power reserves the right to waive, in whole or in part, all or any of the Conditions except for Conditions (b) to (i) (inclusive) which cannot be waived. Conditions (b) to (i) (inclusive) must be fulfilled by, and Conditions (a) and (j) to (u) (inclusive) must be fulfilled or waived by, no later than 11.59 p.m. on the date immediately preceding the date of the Court Hearing, failing which the Scheme will lapse.

The Merger will lapse if the Scheme does not become Effective by 11.59 p.m. on the Long Stop Date or such later date (if any) as Betfair and Paddy Power may agree and (if required) the Panel and the Court may allow.

If Paddy Power is required by the Panel to make an offer for Betfair Shares under the provisions of Rule 9 of the Code, Paddy Power may make such alterations to the Conditions and further terms of the Merger as are necessary to comply with the provisions of that Rule.

## **Part 3: Implementation by way of a Merger Offer**

Subject to the terms of the Co-operation Agreement, Paddy Power may implement the Merger by making, directly or indirectly through a subsidiary or nominee of Paddy Power, a Merger Offer as an alternative to the Scheme. In such event, the Merger will be implemented on substantially the same terms, subject to appropriate amendments, as those which would apply to the Scheme.

In the event that the Merger is implemented by way of a Merger Offer, the Betfair Shares acquired shall be acquired with full title guarantee, fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them.

## **Part 4: Certain further terms of the Merger**

The Scheme and the Merger will lapse if there is a Phase 2 CMA Reference before the later of the Court Meeting and the Betfair General Meeting. In such event, Betfair will not be bound by the terms of the Scheme.

In so far as a distribution is declared, made, paid or payable by Betfair or Paddy Power in respect of the Betfair Shares or Paddy Power Shares (as applicable) on or after the date of this Announcement save as set out in paragraphs 2 and 9 of this Announcement, the Exchange Ratio will be adjusted accordingly by reference to the aggregate amount of the distribution that has been declared, made, paid or is payable. To the extent that a distribution that has been declared, made, paid or is payable is or will be transferred or cancelled pursuant to the Merger on a basis which entitles Paddy Power Shareholders alone to receive the distribution and to retain it, the Exchange Ratio will not be subject to change in accordance with this paragraph.

The Betfair Shares will be acquired pursuant to the Merger fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including without limitation voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this Announcement, save for any dividends payable on the terms set out in paragraph 9 of this Announcement.

The New Paddy Power Betfair Shares will be issued credited as fully paid and will rank pari passu in all respects with the existing Paddy Power Shares, including the right to receive and retain in full all dividends and other distributions (if any) made, paid or declared after Completion. For the avoidance

of doubt, the New Paddy Power Betfair Shares will not carry entitlement to the special dividend referred to in paragraph 2 or any interim dividend referred to in paragraph 9 of this Announcement.

Fractions of New Paddy Power Betfair Shares will not be allotted or issued to Scheme Shareholders and entitlements will be rounded down to the nearest whole number of Paddy Power Shares and all fractions of New Paddy Power Betfair Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of such sale (after deduction of all expenses and commissions incurred in connection with the sale) will be distributed by Paddy Power in due proportions to Scheme Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will be retained for the benefit of the Combined Group.

The availability of the Merger to Scheme Shareholders who are not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom and any Scheme Shareholders who are not resident in the United Kingdom will need to inform themselves about, and observe, any applicable requirements.

Applications will be made to the UKLA, the London Stock Exchange and the Irish Stock Exchange for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market.

The New Paddy Power Betfair Shares to be issued pursuant to the Merger have not been, and will not be, listed on any stock exchange other than the London Stock Exchange and the Irish Stock Exchange and have not been, and will not be, registered under the US Securities Act or under any laws of any state, district or other jurisdiction, of the United States, nor have clearances been, nor will they be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, or will be, filed, or registration made, under any securities law of any province or territory of Canada, nor has a prospectus in relation to the New Paddy Power Betfair Shares been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New Paddy Power Betfair Shares to be offered in compliance with applicable securities laws of Japan and no regulatory clearances in respect of the New Paddy Power Betfair Shares have been, or will be, applied for in any other jurisdiction. Accordingly, unless an exemption under relevant securities laws is available, the New Paddy Power Betfair Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States or any other Restricted Jurisdiction or to, or for the account or benefit of, any US Person or resident of any other Restricted Jurisdiction. The Merger does not constitute an offer of New Paddy Power Betfair Shares in the United States. Neither the SEC nor any US state securities commission has approved or disapproved of the New Paddy Power Betfair Shares, or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence.

## APPENDIX II

### BASES AND SOURCES OF INFORMATION

In this Announcement, unless otherwise stated, or the context otherwise requires, the following bases and sources have been used:

1. Unless otherwise stated, the financial information relating to Paddy Power is extracted (without adjustment) from the audited consolidated financial statements for Paddy Power for the financial year ended 31 December 2014 or from the interim results statement of Paddy Power for the six months ended 30 June 2015.
2. Unless otherwise stated, the financial information relating to Betfair is extracted (without adjustment) from the audited consolidated financial statements for Betfair for the financial year ended 30 April 2015 or from the quarterly results statement of Betfair for the three months ended 31 July 2015.
3. As at the close of business on 7 September 2015 (being the last practicable date before the date of this Announcement), Paddy Power had in issue 44,048,942 Paddy Power Shares. The fully-diluted share capital of Paddy Power (being 44,582,510 Paddy Power Shares) is calculated on the basis of 44,048,942 Paddy Power Shares in issue on 7 September 2015, and in addition up to 533,568 further Paddy Power Shares which may be issued on or after the date of this Announcement following the exercise of options, or settled via alternative means, or via the vesting of awards under the Paddy Power Share Schemes.
4. As at the close of business on 7 September 2015 (being the last practicable date before the date of this Announcement), Betfair had in issue 92,896,239 Betfair Shares. The fully-diluted share capital of Betfair (being 96,741,640 Betfair Shares) is calculated on the basis of 92,896,239 Betfair Shares in issue on 7 September 2015, and in addition up to 3,845,401 further Betfair Shares which may be issued on or after the date of this Announcement following the exercise of options, or settled via alternative means, or via the vesting of awards under the Betfair Share Schemes.
5. Unless otherwise stated, all prices and closing prices for Paddy Power Shares and Betfair Shares are closing middle market quotations derived from the Daily Official List.
6. Unless otherwise stated, the exchange rate used for the conversion of EUR into GBP is 0.737 and has been derived from Bloomberg and is based on the exchange rate on 3 September 2015.
7. The International Securities Identification Number for Paddy Power Shares is IE00BWT6H894. The International Securities Identification Number for Betfair Shares is GB00BSPL1J93.

## APPENDIX III

### DETAILS OF DIRECTORS' IRREVOCABLE UNDERTAKINGS

#### Part A: Irrevocable undertakings in respect of Betfair Shares

Paddy Power has received irrevocable undertakings from the following Betfair Directors in respect of their own beneficial holdings of Betfair Shares, representing approximately 0.276 per cent. of the existing issued ordinary share capital of Betfair to, amongst other things, vote (or procure the vote) in favour of all resolutions to approve or give effect to the Scheme and any related matters proposed at the Betfair General Meeting in respect of the following Betfair Shares:

Name	Number of Betfair Shares	Per Cent. of Betfair Shares in issue	Number of Betfair Shares under Betfair Share Schemes
Zillah Byng-Maddick	2,187	0.002%	-
Mark Brooker	-	-	272,831
Gerald Corbett	17,500	0.019%	-
Breon Corcoran	226,041	0.243%	1,075,785
Ian Dyson	7,437	0.008%	-
Alex Gersh	-	-	353,279
Peter Jackson	2,187	0.002%	-
Leo Quinn	869	0.001%	-
Peter Rigby	-	-	-
<b>TOTAL</b>	<b>256,221</b>	<b>0.276%</b>	<b>1,701,895</b>

The irrevocable undertakings will lapse if:

- (a) the Scheme lapses or is withdrawn in accordance with its terms and Paddy Power publicly confirms that it does not intend to proceed with the Merger or to implement the Merger by way of a Merger Offer or otherwise or if Paddy Power exercises its right to implement the Merger by way of a Merger Offer, the Merger Offer lapses or is withdrawn in accordance with its terms and Paddy Power subsequently confirms that it does not intend to proceed with the Merger;
- (b) the Scheme has not become effective (or, if applicable, the Offer has not become or been declared unconditional in all respects) by 30 June 2016 (or such later date as agreed between Paddy Power and Betfair with the approval of the Court and/or the Panel, if required); or
- (c) Paddy Power announces, with the consent of the Panel, that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Merger Offer on substantially the same or better terms is announced in accordance with Rule 2.7 of the Code at the same time.

Under the terms of the irrevocable undertakings the Betfair Directors may dispose of, transfer or otherwise deal in Betfair Shares where the purpose of such disposal, transfer or dealing is to meet any

liability in respect of income tax or national insurance contributions arising from the exercise or vesting of options and/or awards over Betfair Shares.

### **Part B: Irrevocable undertakings in respect of Paddy Power Shares**

The following persons have given irrevocable undertakings to vote (or procure the vote) in favour of the resolutions to be proposed at the Paddy Power General Meeting in relation to the following Paddy Power Shares:

<b>Name</b>	<b>Number of Paddy Power Shares</b>	<b>Per Cent. of Paddy Power Shares in issue</b>	<b>Number of Paddy Power Shares under Paddy Power Share Schemes</b>
Andy McCue	21,938	0.050%	74,402
Cormac McCarthy	16,443	0.037%	51,660
Michael Cawley	3,600	0.008%	-
Tom Grace	-	-	-
Danuta Gray	-	-	-
Ulric Jerome	-	-	-
Stewart Kenny	354,651	0.805%	-
Gary McGann	610	0.001%	-
Pádraig Ó Ríordáin	7,200	0.016%	-
<b>TOTAL</b>	<b>404,442</b>	<b>0.918%</b>	<b>126,062</b>

Paddy Power has received irrevocable undertakings from the Paddy Power Directors, in respect of their own beneficial holdings of Paddy Power Shares, representing approximately 0.918 per cent. of the existing issued ordinary share capital of Paddy Power to vote or procure the vote in favour of each of the resolutions to be proposed at the Paddy Power General Meeting.

The irrevocable undertakings referred to above will lapse if:

- (a) the Scheme lapses or is withdrawn in accordance with its terms and Paddy Power publicly confirms that it does not intend to proceed with the Merger or to implement the Merger by way of a Merger Offer or otherwise or if Paddy Power exercises its right to implement the Merger by way of a Merger Offer, the Merger Offer lapses or is withdrawn in accordance with its terms and Paddy Power subsequently confirms that it does not intend to proceed with the Merger;
- (b) the Scheme has not become effective (or, if applicable, the Offer has not become or been declared unconditional in all respects) by 30 June 2016 (or such later date as agreed between Paddy Power and Betfair with the approval of the Court and/or the Panel, if required); or
- (c) Paddy Power announces, with the consent of the Panel, that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Merger Offer on substantially the same or better terms is announced in accordance with Rule 2.7 of the Code at the same time.

## APPENDIX IV

### QUANTIFIED FINANCIAL BENEFITS STATEMENT

#### Part A

Paragraph 3 of this Announcement includes statements of estimated cost savings and synergies arising from the Merger (together, the “**Quantified Financial Benefits Statement**”).

A copy of the Quantified Financial Benefits Statement is set out below:

*“Following preliminary analysis undertaken by the Boards of Paddy Power and Betfair, significant cost and revenue synergies have been identified which reinforce the strategic rationale for the Merger and the significant value creation opportunity for shareholders. The key driver of the identified synergies is the efficiencies that the Merger enables given the complementary nature of the businesses and the ability to build on the Combined Group’s broad product offering.*

*The synergies have been identified through applying a set of key integration principles when considering the Combined Group. These principles comprise:*

- *dual European brands but more focused positioning on their key target audiences;*
- *integrating technology;*
- *creating a shared operations team; and*
- *combining the existing corporate functions into a single corporate function.*

*In this context, the Boards believe that the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately £50 million and expect these to be delivered progressively, minimising risk, over two years following Completion. It is expected that the benefit of the full level of identified synergies will be achieved in the third full year following Completion. A one-off cash integration cost of approximately £65 million (1.3x the level of run rate synergies) is expected to be incurred in delivering the cost synergies. Other than the integration costs identified, the Boards of Paddy Power and Betfair do not expect any dis-synergies to arise as a result of the Merger.*

*In addition to the quantified synergies identified above, the Boards of Paddy Power and Betfair believe in a significant opportunity for revenue synergies, predominantly through leveraging the Combined Group’s enlarged scale and capabilities to drive better customer acquisition and retention that will increase returns on product and marketing investment and increase payback across existing and new markets.*

*The statements above of estimated cost synergies relate to future actions and circumstances which inherently involve risks, uncertainties and contingencies. Accordingly, the cost synergies referred to may not be achieved, may not be achieved within the time periods specified or may be achieved in a different form to that which is currently envisaged by the Boards of Paddy Power and Betfair. For the purposes of Rule 28 of the Code, the statements above of estimated cost synergies are the responsibility of the Directors of Paddy Power, in their capacity as directors of the offeror under the terms of the Merger. Appendix IV includes reports in connection with the synergy statements from KPMG and Morgan Stanley, as required pursuant to the Code. KPMG and Morgan Stanley have given and not withdrawn their consent to the publication of their reports in the form and context in which they are included. These statements are not intended as a profit forecast and should not be interpreted as such.”*

The potential sources of the recurring annual pre-tax cost synergies of approximately £50 million identified by the Boards of Paddy Power and Betfair include:



- synergies in commercial and marketing areas generated through efficiencies in brand spend and agency fees and rationalising certain operational and support functions;
- synergies in IT, product development and other operational areas driven by optimising infrastructure, trading platforms, product design, development and data costs; and
- removal of duplication across general corporate overheads and facilities.

### **Bases of belief**

Prior to the announcement of the possible merger on 26 August 2015, discussions were held between senior finance, commercial and strategy personnel at Paddy Power and Betfair for the purposes of enabling the respective teams to quantify their initial estimates of potential synergies and associated costs available from the Merger. As part of this process, the Paddy Power and Betfair teams established a proposed framework operating model through which each team could refine their respective estimates of cost synergies.

Following the announcement of the possible merger on 26 August 2015, the Paddy Power and Betfair teams aligned their respective analyses into a combined set of cost synergies estimates, details of which are set out in the Appendix IV and in paragraph 3 of this Announcement. The Paddy Power and Betfair teams have continued to refine and test their analysis with the relevant functional heads and other personnel at Paddy Power and Betfair to assess the nature and quantum of their estimates of the identified cost synergies available as a result of the Merger.

In preparing the Quantified Financial Benefits Statement, both Paddy Power and Betfair have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost synergies available from the Merger. In circumstances where data has been limited for commercial or other reasons, the team has made estimates and assumptions to aid its development of individual synergy initiatives.

The cost bases used as the basis for the quantification exercise are:

- in respect of Paddy Power, the seven months actual cost base to 31 July 2015 plus five months of the latest forecast cost base to 31 December 2015; and
- in respect of Betfair, the three months actual cost base to 31 July 2015 plus nine months of the latest forecast cost base to 30 April 2016.

The exchange rate used to convert between:

- EUR and GBP is 0.77; and
- AUD and GBP is 1.46.

### **Reports**

As required by Rule 28.1(a) of the Code, KPMG, as reporting accountants to Paddy Power, have provided a report stating that, in their opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition Morgan Stanley, as financial adviser to Paddy Power, has provided a report stating that, in its opinion, the Quantified Financial Benefits Statement has been prepared with due care and consideration.

Copies of these reports are included in Parts B and C of this Appendix IV. KPMG and Morgan Stanley have given and not withdrawn their consent to the publication of their reports in the form and context in which they are included.

#### **Notes**

1. The statements of estimated cost synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast (other than the Paddy Power Profit Forecast) or interpreted to mean that the Combined Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Paddy Power and/or Betfair for the relevant preceding financial period or any other period.
2. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.
3. In arriving at the estimate of cost synergies set out in this Announcement, the Paddy Power Directors have assumed that there will be no significant impact on the underlying operations of either business as a result of the Merger.

**Part B**  
**Report from KPMG**

Paddy Power plc  
Power Tower  
Belfield Office Park  
Beech Hill Road  
Clonskeagh  
Dublin 4  
Ireland

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

8 September 2015

Dear Sir or Madam:

**Report on quantified financial benefits statement**

We refer to the statement made by the directors of Paddy Power plc (the “Company”) (the “Directors”) of quantified financial benefits set out in Part A of Appendix IV to the announcement (the “Statement”) issued by the Company on 8 September 2015 in accordance with Rule 2.7 of the City Code (as defined below) (the “Announcement”).

The Statement has been made in the context of the disclosures in Part A of Appendix IV to the Announcement setting out, inter alia, the basis of the Directors’ belief (including sources of information) supporting the Statement and their analysis and explanation of the underlying constituent elements.

This report is required by Rule 28.1 of The City Code on Takeovers and Mergers (the “City Code”) and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibility**

It is the responsibility of the Directors to prepare the Statement in accordance with the City Code. It is our responsibility to form an opinion, as required by Rule 28.1(a)(i) of the City Code as to the proper compilation of the Statement and report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.3 of the City Code, consenting to its inclusion in the Announcement.

**Basis of preparation of the Statement**

The Statement has been prepared on the basis stated in Part A of Appendix IV to the Announcement.

**Basis of opinion**

We have discussed the Statement, together with the underlying plans, with the Directors and with Morgan Stanley & Co. International plc. We have also considered the letter dated 8 September 2015

from Morgan Stanley & Co. International plc to the Directors on the same matter. Our work did not involve any independent examination of any of the financial or other information underlying the Statement. We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We do not express any opinion as to the achievability of the benefits identified by the Directors in the Statement. The Statement is subject to uncertainty as described in Part A of Appendix IV to the Announcement. Because of the significant changes in the enlarged group's operations expected to flow from the transaction and because the Statement relates to the future, the actual benefits achieved are likely to be different from those anticipated in the Statement and the differences may be material.

**Opinion**

On the basis of the foregoing, we report that in our opinion the Statement has been properly compiled on the basis stated.

Yours faithfully

KPMG  
*Chartered Accountants*  
*Dublin, Ireland*

**Part C**  
**Report from Morgan Stanley**

The Directors  
Paddy Power plc  
Power Tower  
Belfield Office Park  
Beech Hill Road  
Clonskeagh  
Dublin 4  
Ireland

8 September 2015

Dear Sirs,

**Recommended all-share merger of Paddy Power plc (“Paddy Power”) and Betfair Group plc (“Betfair”)**

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the “Statement”) as set out in Part A of Appendix IV of this Announcement, for which the directors of Paddy Power (the “Directors”) are solely responsible under Rule 28 of the City Code on Takeovers and Mergers (the “Code”).

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the Directors and those officers and employees of Paddy Power who developed the underlying plans together with certain officers and employees of Betfair. The Statement is subject to uncertainty as described in this Announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Paddy Power and Betfair, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view or opinion as to the achievability of the quantified financial benefits identified by the Directors.

We have also reviewed the work carried out by KPMG and have discussed with them the opinion set out in Part B of Appendix IV of this Announcement addressed to yourselves and ourselves on this matter.

This letter is provided to you solely in connection with Rule 28.1(a) (ii) of the Code and for no other purpose. We accept no responsibility to Paddy Power or its shareholders or any person other than the Directors in respect of the contents of this letter; no person other than the Directors can rely on the contents of this letter and, to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which you as the Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Morgan Stanley & Co. International plc

## APPENDIX V

### PADDY POWER PROFIT FORECAST

#### Part A

On 26 August 2015, Paddy Power released its interim results announcement for the six months ended 30 June 2015. Included in this interim results announcement was the following statement, which for the purposes of Rule 28 of the Code constitutes a profit forecast for the financial year ending 31 December 2015:

*“We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast.”*

The Paddy Power Directors have considered and confirm that the Paddy Power Profit Forecast remains valid.

#### **Bases of belief**

The Paddy Power Profit Forecast has been prepared on a basis consistent with the accounting policies for the Paddy Power Group, which are in accordance with IFRS and those which Paddy Power anticipates will be applicable for the full year ending 31 December 2015.

The Paddy Power Directors have prepared the Paddy Power Profit Forecast based on the unaudited management accounts for the seven month period from 1 January 2015 to 31 July 2015 and a forecast of the results for the five month period ending 31 December 2015.

#### **Reports**

As required by Rule 28.1(a) of the Code, KPMG, as reporting accountants to Paddy Power, have provided a report stating that, in their opinion, the Paddy Power Profit Forecast has been properly compiled on the basis stated. In addition Morgan Stanley, as financial adviser to Paddy Power, has provided a report stating that, in its opinion, the Paddy Power Profit Forecast has been prepared with due care and consideration.

Copies of these reports are included in Parts B and C of this Appendix V. KPMG and Morgan Stanley have given and not withdrawn their consent to the publication of their reports in the form and context in which they are included.

#### **Assumptions**

The Profit Forecast has been prepared on the basis of the following assumptions, all of which are outside the control or influence of the Directors:

- there will be no material change in the ownership and control of the Paddy Power Group;
- there will be no material change to the Paddy Power Group’s customer base or their ability or willingness to meet their obligations to the Paddy Power Group from that currently anticipated by the Directors;
- there will be no material change to foreign exchange rates currently prevailing;
- there will be no material change in current trading conditions or performance;
- there will be no disruption to the sporting calendar or broadcasting of major sporting events due to weather or other factors;

- there will no material change in legislation or regulatory requirements impacting the Paddy Power Group's operations or accounting policies;
- there will not be any changes in general trading and economic conditions in the countries in which the Paddy Power Group operates or trades which would materially affect the Paddy Power Group's business;
- there will be no business interruptions that materially affect the Paddy Power Group, its major suppliers or its customers by reason of technological faults, natural disasters, industrial disruption, civil disturbance or government action; and
- there will be no material change to the competitive environment leading to an adverse impact on consumer preferences or the capacity of the business to penetrate new markets.

**Part B**  
**Report from KPMG**

The Directors  
Paddy Power plc  
Power Tower  
Belfield Office Park  
Beech Hill Road  
Clonskeagh  
Dublin 4  
Ireland

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

8 September 2015

Dear Sir or Madam:

**Paddy Power plc**

We report on the profit forecast of Paddy Power plc (the “Company”) and its subsidiary undertakings (the “Group”) for the year ending 31 December 2015 (the “Profit Forecast”) set out in Part A of Appendix V to the announcement issued by the Company on 8 September 2015 in accordance with Rule 2.7 of the Code (as defined below) (the “Announcement”). The Profit Forecast, and the material assumptions upon which it is based, are set out in Part A of Appendix V to the Announcement. This report is required by Rule 28.1 of the City Code on Takeovers and Mergers (the “Code”) and is given for the purpose of complying with that rule and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Profit Forecast in accordance with the requirements of the Code.

It is our responsibility to form an opinion as required by the Code as to the proper compilation of the profit forecast and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement required by and given solely for the purposes of complying with Rule 23.3 of the Code, consenting to its inclusion in the Announcement.

**Basis of Preparation of the Profit Forecast**

The Profit Forecast has been prepared on the basis stated in Part A of Appendix V to the Announcement. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and



considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors and the basis of accounting used is consistent with the accounting policies of the Group.

Yours faithfully

KPMG  
*Chartered Accountants*  
*Dublin, Ireland*

**Part C**  
**Report from Morgan Stanley**

The Directors  
Paddy Power plc  
Power Tower  
Belfield Office Park  
Beech Hill Road  
Clonskeagh  
Dublin 4  
Ireland

8 September 2015

Dear Sirs,

**Report on the Profit Forecast of Paddy Power Plc (“Paddy Power”)**

We refer to the profit forecast as set out in Part A of Appendix V of this Announcement (the “Profit Forecast”), for which the directors of Paddy Power (the “Directors”) are solely responsible under Rule 28 of the City Code on Takeovers and Mergers (the “Code”).

We have discussed the Profit Forecast (including the bases and assumptions on which it is made), with the Directors and KPMG, Paddy Power’s reporting accountants. We have also discussed the accounting policies and bases of calculation for the Profit Forecast with you and with KPMG. We have also reviewed the work carried out by KPMG and have discussed with them the opinion set out in Part B of Appendix V of this Announcement addressed to yourselves and ourselves on this matter.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Paddy Power, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter. You have confirmed to us that all information relevant to the Profit Forecast has been disclosed to us. We do not express any view as to the achievability of the Profit Forecast.

This letter is provided to you solely in connection with Rule 28.1(a) (ii) of the Code and for no other purpose. We accept no responsibility to Paddy Power or its shareholders or any person other than the Directors in respect of the contents of this letter; no person other than the Directors can rely on the contents of this letter and, to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Profit Forecast, for which you as the Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Morgan Stanley & Co. International plc

## APPENDIX VI

### DEFINITIONS

The following definitions apply throughout this Announcement unless the context otherwise requires:

<b>£, GBP, Sterling, pence or p</b>	the lawful currency of the UK
<b>Admission</b>	the New Paddy Power Betfair Shares being admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main securities market for listed securities and the Irish Stock Exchange's regulated market
<b>Announcement</b>	this Announcement made pursuant to Rule 2.7 of the City Code
<b>AUD</b>	the lawful currency of Australia
<b>Authorisations</b>	authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals
<b>Betfair</b>	Betfair Group plc
<b>Betfair Annual Report and Accounts</b>	the annual report and audited financial statements of Betfair for the year ended 30 April 2015
<b>Betfair Directors or Directors of Betfair or Betfair Board or Board of Betfair</b>	the board of directors of Betfair at the date of the Announcement
<b>Betfair General Meeting</b>	the general meeting of Scheme Shareholders to be convened in connection with the Scheme to consider, and if thought fit pass, inter alia, the Betfair Resolutions, including any adjournment thereof
<b>Betfair Group</b>	Betfair and its subsidiary undertakings and associated undertakings and, where the context permits, each of them
<b>Betfair Irish Sharesave Plan</b>	the BETsave Ireland Savings-Related Share Option Scheme approved by the Revenue Commissioner on 17 July 2013 and 15 October 2014
<b>Betfair Long Term Incentive Plan</b>	means 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
<b>Betfair Resolutions</b>	the resolutions to be proposed by Betfair at the Betfair General Meeting in connection with, amongst other things, the approval of the Scheme, the amendment of Betfair's articles of association, the delisting of Betfair and such other matters as may be necessary to implement the Scheme
<b>Betfair Shareholders</b>	holders of Betfair Shares from time to time

<b><i>Betfair Shares</i></b>	fully paid-up ordinary shares of £0.095 each in the share capital of Betfair
<b><i>Betfair Sharesave Plan</i></b>	means the sharesave plan approved by H. M. Revenue & Customs under reference SRS102735, as amended on 8 October 2014
<b><i>Betfair Share Schemes</i></b>	the share option and incentive schemes operated by the Betfair Group, further details of which will be set out in the Scheme Document
<b><i>business day</i></b>	a day, not being a public holiday, Saturday or Sunday, on which banks in the City of London are open for normal business
<b><i>CCPC</i></b>	the Competition and Consumer Protection Commission, an Irish statutory body established under the Competition and Consumer Protection Act 2014
<b><i>City Code or Code</i></b>	the City Code on Takeovers and Mergers in the United Kingdom
<b><i>Combined Group</i></b>	the combined Paddy Power Group and Betfair Group following Completion
<b><i>Companies Act</i></b>	the Companies Act 2006 (as amended)
<b><i>Competition and Markets Authority or CMA</i></b>	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013
<b><i>Completion</i></b>	the date upon which the Merger becomes Effective
<b><i>Conditions</i></b>	the conditions of the Merger as set out in Appendix I to this Announcement and to be set out in the Scheme Document
<b><i>Confidentiality Agreement</i></b>	the mutual confidentiality agreement entered into by Betfair and Paddy Power on 18 August 2015
<b><i>Co-operation Agreement</i></b>	the co-operation agreement entered into by Betfair and Paddy Power on 8 September 2015 in connection with the Merger
<b><i>Court</i></b>	the High Court of Justice in England and Wales
<b><i>Court Hearing</i></b>	the hearing by the Court to sanction the Scheme and to authorise the re-registration of Betfair as a private company under section 651 of the Companies Act
<b><i>Court Meeting</i></b>	the meeting or meetings of the Scheme Shareholders as may be convened pursuant to an order of the Court under section 896 of the Companies Act for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment approved or imposed by the Court and agreed to by Betfair and Paddy Power) including any adjournment, postponement or reconvention of any such meeting, notice of which shall be contained in the Scheme Document
<b><i>Court Order</i></b>	the order of the Court sanctioning the Scheme under section 899 of the Companies Act

<b><i>CREST</i></b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
<b><i>Daily Official List</i></b>	the daily official list of the London Stock Exchange or the Irish Stock Exchange (as appropriate)
<b><i>Dealing Disclosure</i></b>	has the same meaning as in Rule 8 of the City Code
<b><i>Disclosure and Transparency Rules</i></b>	the Disclosure and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UKLA's publication of the same name
<b><i>Effective</i></b>	the Scheme having become effective pursuant to its terms or, if the Merger is implemented by way of a Merger Offer, the Merger Offer having been declared or having become unconditional in all respects in accordance with the requirements of the City Code
<b><i>Effective Date</i></b>	the date upon which the Merger becomes Effective
<b><i>Exchange Ratio</i></b>	0.4254 New Paddy Power Betfair Shares for each Betfair Share held
<b><i>Fairly Disclosed</i></b>	the information which has been fairly disclosed by or on behalf of Betfair: (i) in writing prior to the date of this Announcement by or on behalf of Betfair to Paddy Power or Paddy Power's financial, accounting, tax or legal advisers (specifically as Paddy Power's advisers in relation to the Merger); (ii) in the Betfair Annual Report and Accounts; (iii) in a public announcement made in accordance with the Disclosure Rules and Transparency Rules by Betfair after 30 April 2015 and prior to the date of this Announcement; or (iv) in this Announcement
<b><i>FCA or Financial Conduct Authority</i></b>	the UK Financial Conduct Authority or its successor from time to time
<b><i>Forms of Proxy</i></b>	the form of proxy in connection with each of the Court Meeting and the Betfair General Meeting, which shall accompany the Scheme Document
<b><i>FSMA</i></b>	the Financial Services and Markets Act 2000
<b><i>Goldman Sachs</i></b>	Goldman Sachs International
<b><i>Goodbody</i></b>	Goodbody Stockbrokers
<b><i>IBI Corporate Finance</i></b>	IBI Corporate Finance Limited
<b><i>ICA</i></b>	the Irish Competition Act 2002
<b><i>Irish Stock Exchange</i></b>	the Irish Stock Exchange plc

<i>Listing Rules</i>	the rules and regulations made by the FCA under Part VI of the FSMA, and contained in the UK Listing Authority’s publication of the same name and/or the Listing Rules of the Irish Stock Exchange, as the case may be (in each case, as amended from time to time)
<i>London Stock Exchange</i>	the London Stock Exchange plc
<i>Long Stop Date</i>	30 June 2016 or such later date as Betfair and Paddy Power may agree in writing, with the Panel’s consent and the Court may approve (if such consent and/or approval is required)
<i>Merger</i>	the proposed acquisition of the entire issued and to be issued share capital of Betfair by Paddy Power to be effected by the Scheme (or by the Merger Offer under certain circumstances described in this Announcement)
<i>Merger Offer</i>	in the event that the Merger is to be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the takeover offer to be made by or on behalf of Paddy Power to acquire the entire issued and to be issued share capital of Betfair and, where the context admits, any subsequent revision, variation, extension or renewal of such offer
<i>Morgan Stanley</i>	Morgan Stanley & Co. International plc
<i>New Paddy Power Betfair Shares</i>	the new ordinary shares of €0.09 each in the capital of Paddy Power Betfair to be issued credited as fully paid to Scheme Shareholders pursuant to the Merger
<i>Offer Period</i>	as defined in the City Code
<i>Official List</i>	the Official List of the FCA or the Official List of the Irish Stock Exchange (as applicable)
<i>Opening Position Disclosure</i>	has the same meaning as in Rule 8 of the City Code
<i>Overseas Shareholders</i>	Betfair Shareholders whose registered addresses are outside of the UK or who are citizens, nationals or residents of countries other than the UK
<i>Paddy Power</i>	Paddy Power plc
<i>Paddy Power Betfair</i>	the parent company of the Combined Group from the Effective Date (being Paddy Power plc, proposed to be renamed “ <b>Paddy Power Betfair plc</b> ”)
<i>Paddy Power Betfair Directors or Paddy Power Betfair Board or Proposed Directors</i>	the proposed board of directors of Paddy Power Betfair, further details of which are set out in this Announcement
<i>Paddy Power Betfair Prospectus</i>	the prospectus to be published by Paddy Power in connection with the issue of the New Paddy Power Betfair Shares
<i>Paddy Power Betfair Remuneration Committee</i>	the proposed remuneration committee of Paddy Power Betfair

<b><i>Paddy Power Circular</i></b>	the circular to be sent by Paddy Power to Paddy Power Shareholders summarising the background to and reasons for the Merger, which will include a notice convening the Paddy Power General Meeting
<b><i>Paddy Power Directors or Directors of Paddy Power or Paddy Power Board or Board of Paddy Power</i></b>	the board of directors of Paddy Power at the date of this Announcement
<b><i>Paddy Power General Meeting</i></b>	the general meeting of Paddy Power Shareholders to be convened in connection with the Merger to consider and if thought fit pass, inter alia, the Paddy Power Resolutions, including any adjournment thereof
<b><i>Paddy Power Group</i></b>	Paddy Power and its subsidiary undertakings and associated undertakings and, where the context permits, each of them
<b><i>Paddy Power Profit Forecast</i></b>	the statement in italics and marked with an asterisk in Part A of Appendix V to this Announcement
<b><i>Paddy Power Resolutions</i></b>	the resolutions to be proposed at the Paddy Power General Meeting in connection with the Merger, including, inter alia, resolutions to: (i) approve the Merger; and (ii) authorise the issuance of the New Paddy Power Betfair Shares, as set out in the notice of meeting in the Paddy Power Circular
<b><i>Paddy Power Shareholders</i></b>	holders of Paddy Power Shares from time to time
<b><i>Paddy Power Shares</i></b>	fully paid-up ordinary shares of €0.09 each in the capital of Paddy Power
<b><i>Paddy Power Share Schemes</i></b>	the share option and incentive schemes operated by the Paddy Power Group, further details of which will be set out in the Paddy Power Betfair Prospectus
<b><i>Panel or Takeover Panel</i></b>	the Panel on Takeovers and Mergers
<b><i>Phase 2 CMA Reference</i></b>	a reference by the CMA to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
<b><i>Prospectus Rules</i></b>	the prospectus rules made by the FCA under Part VI of the FSMA
<b><i>Quantified Financial Benefits Statement</i></b>	as defined in Part A of Appendix IV to this Announcement
<b><i>Regulatory Authority</i></b>	any government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to the generality of the foregoing) any other person or body in any jurisdiction
<b><i>Regulatory Information Service</i></b>	any of the services set out in Appendix II to the Listing Rules

<b><i>Registrar of Companies</i></b>	the Registrar of Companies in England and Wales
<b><i>Restricted Jurisdiction</i></b>	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Betfair Shareholders in that jurisdiction (in accordance with Rule 30.3 of the City Code)
<b><i>Scheme</i></b>	the proposed scheme of arrangement under Part 26 of the Companies Act between Betfair and the Scheme Shareholders in connection with the Merger, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Paddy Power and Betfair
<b><i>Scheme Document</i></b>	the document to be sent to Betfair Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme (including the particulars required by section 897 of the Companies Act) and containing the notices convening the Court Meeting and the Betfair General Meeting
<b><i>Scheme Record Time</i></b>	the time and date specified in the Scheme Document, expected to be 6.00 p.m. on the business day immediately prior to the date of the Court Hearing
<b><i>Scheme Shareholders</i></b>	holders of Scheme Shares
<b><i>Scheme Shares</i></b>	<ul style="list-style-type: none"> <li>(a) Betfair Shares in issue at the date of the Scheme Document;</li> <li>(b) Betfair Shares issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and</li> <li>(c) Betfair Shares issued at or after the Scheme Voting Record Time and before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme,</li> </ul> <p>in any case excluding any Betfair Shares held as Treasury Shares</p>
<b><i>Scheme Voting Record Time</i></b>	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined, expected to be 6.00 p.m. on the business day immediately prior to the date of the Court Meeting or any adjournment thereof (as the case may be)
<b><i>SEC</i></b>	the US Securities and Exchange Commission
<b><i>Significant Interest</i></b>	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking; or (ii) the relevant partnership interest
<b><i>Third Party</i></b>	has the meaning given in Condition (j) in Appendix I



<b><i>Treasury or Treasury Shares</i></b>	shares held as Treasury shares as provided for in section 724 of the Companies Act
<b><i>UK or United Kingdom</i></b>	United Kingdom of Great Britain and Northern Ireland
<b><i>UK Gambling Act</i></b>	the UK Gambling Act 2005
<b><i>UK Listing Authority</i></b>	the FCA acting for the purposes of Part VI of the FSMA
<b><i>UKGC</i></b>	the Gambling Commission established under the UK Gambling Act to regulate commercial gambling in the UK
<b><i>US or United States</i></b>	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
<b><i>US person</i></b>	as defined in Regulation S promulgated under the US Securities Act
<b><i>US Exchange Act</i></b>	the US Securities Exchange Act of 1934
<b><i>US Securities Act</i></b>	the US Securities Act of 1933
<b><i>Wider Betfair Group</i></b>	Betfair and its subsidiaries, subsidiary undertakings and any other body corporate, partnership, joint venture or person in which Betfair and all such undertakings (aggregating their interests) have a Significant Interest
<b><i>Wider Paddy Power Group</i></b>	Paddy Power and its subsidiaries, subsidiary undertakings and any other body corporate, partnership, joint venture or person in which Paddy Power and all such undertakings (aggregating their interests) have a Significant Interest

For the purposes of this Announcement, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the respective meanings given by the Companies Act (but for these purposes ignoring paragraph 20(1)(b) of Schedule 4A to the Companies Act).

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom. All references to time in this Announcement are to London time unless otherwise stated.