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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who, if you are taking advice in Ireland, is authorised or exempted under the Investment Intermediaries Act, 1995 or the Stock Exchange Act, 1995 or, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act, 2000.

If you have sold or otherwise transferred your entire holding of shares in Paddy Power plc, please pass this document to your stockbroker or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# **Paddy Power plc**

## **Notice of Annual General Meeting**

### **Proposed Reconfiguration of Share Incentive Schemes**

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Your attention is drawn to the notice of the Annual General Meeting of Paddy Power plc to be held at The Shelbourne Hotel, St Stephen's Green, Dublin 2 on Tuesday 22, June 2004 at 11.00 a.m. which is set out on pages 9 to 12 of this document. A Form of Proxy for use at the meeting is enclosed with this document and, if you wish to appoint a proxy, the form should be returned in accordance with the instructions thereon.

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## DEFINITIONS

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“AGM”	the Annual General Meeting of the Company to be held on 22 June 2004 at 11.00 a.m.;
“Articles”	the Articles of Association of the Company;
“Basic Tier Scheme”	the Paddy Power November 2000 Share Option Scheme;
“Board” or “Directors”	the board of directors of the Company;
“Company” or “Paddy Power”	Paddy Power plc;
“Consumer Price Index”	the weighted average of the consumer price indices published by the relevant authority in each of the jurisdictions where the Group carries on business;
“Group”	the Company and its Subsidiaries;
“Notice”	the notice of AGM set out in pages 9 to 12 of this document;
“Ordinary Shares”	Ordinary Shares of €0.10 each in the capital of the Company;
“Second Tier Scheme”	the Paddy Power 2004 Second Tier Share Option Scheme proposed for adoption at the AGM;
“Shareholders”	holders of Ordinary Shares;
“Sharesave Scheme”	the Paddy Power 2000 Sharesave Scheme;
“Subsidiary”	the meaning given to such expression in Section 155 of the Companies Act 1963; and
“2004 LTIP”	the Paddy Power 2004 long term incentive plan proposed for adoption at the AGM.

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## Letter from the Chairman of Paddy Power plc

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# Paddy Power plc

(Incorporated under the Companies Acts 1963 to 2003  
under registered number 16956)

*Directors:*

Fintan Drury (Chairman)  
John O'Reilly (Chief Executive)  
Ross Ivers  
Ian Armitage  
John Corcoran  
Stewart Kenny  
Edward McDaid  
David Power  
Stephen Thomas  
Nigel Northridge  
Patrick Kennedy

*Registered Office:*

Airton House,  
Airton Road,  
Tallaght,  
Dublin 24

28 May 2004

Dear Shareholder,

I am writing to you to outline the background to the resolutions to be proposed at the forthcoming annual general meeting, all of which are recommended by the Board for approval.

Your attention is drawn to the Notice of AGM of the Company which will be held at The Shelbourne Hotel, St Stephen's Green, Dublin 2 at 11.00 am on 22 June 2004 which is set out on pages 9 to 12 of this document. In addition to the ordinary business to be transacted at the AGM (as set out in Resolutions 1 to 5 of the Notice) there are a number of items of special business which are described below. Six Directors retire by rotation under Regulation 87 of the Articles. Four of them are proposed for re-election at the AGM. The remaining two, Ian Armitage and Edward McDaid, have decided not to offer themselves for re-election and will be standing down as Directors.

### **Resolution 6 – Alteration of Articles of Association**

The Board believes it is in the best interests of Shareholders for the Company to be authorised to purchase its own shares. Shares purchased in this manner can be held in treasury and be reissued at a later time. Technical provisions dealing with share buybacks and reissue of treasury shares are normally included in the Articles to avoid incorporating lengthy resolutions in the Company's notice of annual general meeting each year. Consequently, it is proposed under Resolution 6 to alter the Articles to incorporate these technical provisions. Details of the basis on which the Company can acquire its own shares and reissue treasury shares are set out in the explanation of Resolution 8 below.

The Board has also decided to propose a recasting of the provisions of Article 8(d) of the Articles which sets out the basis upon which the Company may disapply the statutory pre-emption rights of shareholders. Details of the basis on which this right may be disapplied are set out in the explanation of Resolution 7 below. These revisions are of a technical nature and do not change the basis upon which pre-emption rights have been disapplied at previous annual general meetings.

The combined ordinary remuneration of the Directors is limited to IRE400,000 per annum (€507,895) under Regulation 77 of the Articles. This figure has not been amended for a number of years and it is felt that it would be prudent to increase it. Resolution 6 proposes an increase in the ordinary remuneration of Directors to €750,000.

### **Resolution 7 – Disapplication of Pre-emption Rights**

The Directors' authority to allot shares is subject to a restriction imposed by Section 23 of the Companies (Amendment) Act, 1983 (the "Act") which requires that any new shares being allotted for cash must first be offered to existing shareholders in the proportions in which they hold shares at the date of the allotment. However, under Section 24 of the Act, Shareholders may exempt the Board from the Section 23 restriction subject to certain limits. Resolution 7 empowers the Directors, in accordance with the proposed new provision inserted in the Articles under Resolution 6, to disapply pre-emption rights in

respect of the allotment of shares subject to the limitations set out in the Articles which limit such allotments to the issue of shares (a) in connection with open offers, rights issues or otherwise or in favour of persons having a right to subscribe for or convert securities into ordinary shares subject to such exclusions or other arrangements as the Directors feel are necessary for legal or practical reasons; and (b) up to a maximum aggregate nominal value of 5% of the total issued share capital of the Company on the date hereof being €240,383. The substance of this resolution is consistent with similar resolutions proposed at previous annual general meetings of the Company. This authority shall expire on the date of the next annual general meeting of the Company or 21 December 2005 whichever is earlier.

#### **Resolution 8 – Authority to Purchase own Shares/Treasury Share Reissue Price**

Resolution 8 seeks authority to empower the Company, or any Subsidiary, to make market purchases of the Company's shares and to determine the price at which treasury shares may be re-issued off market. This is the first time such an authority is being sought from Shareholders and is standard practice for most Irish listed companies. It is proposed to seek Shareholder approval to renew this authority annually. No more than 10% of the issued share capital of the Company may be acquired under this authority at a price range which is no less than the nominal value of the Company's shares and no greater than 105% of the average price of the Company's shares over the five dealing days prior to the date of purchase by the Company.

Shares purchased by the Company may be cancelled or held in treasury pending cancellation or reissue. Any treasury shares which are re-issued off market must be re-issued within a price range determined by a special resolution of the Company which shall not be less than 95%, nor more than 120%, of the average price of the Company's shares over the ten dealing days prior to the date of re-issue by the Company.

The total number of options to subscribe for shares in the Company on 24 May 2004 (the latest practical date prior to the publication of this letter), is 3,337,693 which represents 6.9% of the issued share capital of the Company on that date. This percentage would increase to 7.7% if the full authority to buy shares is used.

The authority sought will expire on the date of the next annual general meeting of the Company or 21 December 2005, whichever is earlier.

The Board will only exercise the power to purchase shares in the future at price levels at which it considers purchases to be in the best interests of the shareholders generally after taking account of the Group's overall financial position. The Board has no immediate plans to make any such purchase.

#### **Proposal to Reconfigure the Group's Share Incentive Schemes**

The effort of Paddy Power employees has played an enormous role in the success of the Group in the past four years. One of the principal tools used to incentivise employees during that period has been the grant of options and awards under the Group's share incentive plans. The Remuneration Committee has undertaken a detailed review of the Group's current share incentive arrangements to take account of best market practice with a view to properly incentivising employees to assist in the achievement of the next stage of the Group's aggressive growth plans.

The proposed reconfiguration of the Group's plans involves the complete withdrawal of the long term incentive plan approved at last year's Annual General Meeting, the adoption of two new schemes, the 2004 LTIP and the Second Tier Scheme and the approval of certain technical amendments to the Basic Tier Scheme and the Sharesave Scheme.

#### **Resolution 9 – Second Tier Scheme**

Resolution 9 seeks Shareholder approval for the adoption of the Second Tier Scheme which will allow the Company to grant options to employees which will become exercisable after a five year performance period upon the achievement by the Company of exceptional performance levels. To be exercisable, the Company's earnings per share must grow during the five year performance period by at least the percentage increase in the Consumer Price Index plus 10% per annum compounded and the Company's earnings per share growth must be in the top quarter in performance terms of a specified peer group.

No more than 5% of the Company's share capital may be made available under this scheme and under the 2004 LTIP in any 10-year period and no more than 3% of the share capital of the Company may be available under this scheme, the Basic Tier Scheme and the 2004 LTIP in any three-year period. Second tier options may not be granted more than 10 years after the date of adoption of the scheme.

The option price for a second tier option is the market price of Ordinary Shares on the day prior to the date of grant of the option and the aggregate value of options granted to an employee under the Second Tier Scheme and the Basic Tier Scheme and awards made under the 2004 LTIP over a ten year period cannot exceed eight times the remuneration of the employee.

In general, no benefit accrues if an option holder leaves the Company. However, if a departure occurs as a result of injury, ill health, disability, retirement, redundancy or death, the Remuneration Committee has discretion to permit the option to be exercised within six months after the option holder ceases employment or, in the case of death, within twelve months. If a takeover of the Company occurs, all options may be exercised in full.

Benefits under the Second Tier Scheme are not pensionable.

### **Resolution 10 - 2004 Long Term Incentive Plan**

Resolution 10 seeks Shareholder approval for the adoption of a new long term incentive plan.

The Remuneration Committee proposes that the 2004 LTIP will be a key driver of the Company's growth by making available to executives, on a phased basis, share awards which are conditional on the achievement by the Group of challenging performance conditions over a rolling five year performance period beginning at the commencement of the year in which the share award is made. The phasing of the awards will require the achievement of the performance condition over a longer period than would be the case if all the awards were granted at the commencement of a fixed performance period because the Remuneration Committee hopes to stretch management to perform at a high level over a longer period.

Vesting of a conditional award will not occur unless growth in the Company's earnings per share exceeds the performance target which is the compound growth in the Consumer Price Index plus 12% per annum. The minimum threshold for the vesting of any award will be 80% of the performance target, such award being scaled back proportionately.

Participants have a minimum of three years and a maximum of five years from the date of grant of the award to fulfil the performance condition and, upon such fulfilment, the award holder will become entitled to shares representing 50% of the award with the remaining 50% being held for a further period of at least one year.

The Plan will be operated through an employee benefit trust (the "Trust"). It is intended that the shares used under the Plan will be shares purchased in the market by the Trust which will be funded from time to time by the Group.

In general, no benefit can be earned if an award holder leaves the Company. If departure occurs as a result of injury, ill health, disability, retirement, redundancy, etc. prior to the date of vesting of the award, a time apportioned benefit can be granted. If departure occurs as a result of death, part of the award will vest by reference to the degree to which the Remuneration Committee determines that the performance target has been achieved at the end of the year in which the award holder dies. If a takeover occurs, the benefits under the award will vest.

An award may not be granted if the number of shares placed under awards, aggregated with the number of shares the subject of options under the Basic Tier Scheme and Second Tier Scheme, in the preceding ten year period exceeds 10% of the Company's issued share capital at that time. An award may not be granted if the number of shares placed under awards, when aggregated with the number of shares the subject of options under the Second Tier Scheme, in the preceding ten year period exceeds 5% of the Company's issued share capital at that time. In addition, an award may not be granted if the number of shares placed under awards, when aggregated with the number of shares the subject of options under the Basic Tier Scheme and Second Tier Scheme, in the preceding three year period exceeds 3% of the Company's issued share capital at that time.

Benefits under the 2004 LTIP are not pensionable.

The terms of the Second Tier Scheme and the 2004 LTIP, provide that the provisions relating to the:-

- (a) persons to whom, or for whom, securities, cash or other benefits are provided under the plans;
- (b) limitations on the number or amounts of securities, cash or other benefits subject to the plans;
- (c) maximum entitlement of any one participant; and
- (d) basis for determining a participant's entitlement to, and the terms of, securities, cash or other benefits to be provided and for the adjustment thereof in the event of a capitalisation issue, rights issue or open offer, subdivision or consolidation of shares or reduction or other variation of capital,

cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the plan or for the Company operating the plan or for other group companies).

## **Resolution 11 – Modifications to Basic Tier and Sharesave Schemes**

It is proposed to make a number of amendments to the Basic Tier and Sharesave Schemes which arise primarily from the adoption of the new Second Tier Scheme and 2004 LTIP. Certain additional amendments are proposed in order to update the Basic Tier Scheme to accord with modern practice and to permit the Sharesave Scheme to be implemented to the maximum advantage allowed under the provisions of the tax legislation governing such schemes.

An alteration is proposed to the provision of the Basic Tier Scheme which limits the number of options granted under that scheme to five percent of the share capital of the Company in any ten-year period. This alteration will result in the exclusion of options granted under other schemes for the purpose of calculating the limit. These options will now be the subject of different limits.

The provision of the Basic Tier Scheme which limits the number of options granted under a number of different schemes is also proposed for alteration so that in future no more than three per cent of the Company's share capital may be made available under the Basic Tier Scheme, the Second Tier Scheme and the 2004 LTIP in any period of three successive years ending on the day prior to the proposed grant of option.

The provision of the Basic Tier Scheme which limits options granted to any one individual to four times his remuneration is proposed for amendment to exclude from the calculation options granted under other schemes which now fall within a different limit.

The provision of the Basic Tier Scheme which requires options to be exercised within seven years of the date of grant has been altered to allow exercise within ten years of the date of grant. Also, options are proposed to be capable of exercise within six rather than three months of the date of termination of employment due to injury, disability, redundancy etc. of the optionholder.

It is proposed to alter the Sharesave Scheme to delete the provision which limits Sharesave Scheme options to 1% of the share capital of the Company and to excise from the calculation of the limits that apply to such options, options granted under other schemes. Sharesave Options will fall within a new limit of 5% of the Company's share capital which includes share incentives granted under schemes in which all employees are eligible to participate.

In addition it is proposed to alter the Sharesave Scheme to allow the Remuneration Committee to permit participants to contribute up to the maximum monthly amount permitted under the legislation governing sharesave schemes (currently €320 per month) and to allow the Remuneration Committee to grant options under the Sharesave Scheme at an exercise price which represents a discount of up to twenty-five percent of the market price of the Company's shares on the date the Sharesave Scheme option is granted.

Copies of the Rules of the Second Tier Scheme and the 2004 LTIP are available for inspection by Shareholders at the registered office of the Company and at offices of William Fry, Solicitors, Fitzwilton House, Wilton Place, Dublin 2 on any weekday between 9.00 am and 5.30 pm until the date of the AGM and at The Shelbourne Hotel for 15 minutes before and during the AGM.

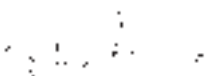
## **Board Recommendation**

Your Board believes that the resolutions proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly the Directors recommend you to vote in favour of the resolutions, as they and their immediate families intend to do themselves in respect of their own beneficial holdings of Ordinary Shares (or shares over which they exercise voting control) amounting in total on 24 May 2004 to 10,000,247 Ordinary Shares representing approximately 20.8% of the issued share capital of the Company.

## **Further Action**

A Form of Proxy for use at the AGM is enclosed with this letter. The Forms of Proxy will be valid if lodged at the registered office of the Company or with the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford, Dublin 18 no later than 48 hours before the time appointed for the meeting. The completing and lodging of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Yours faithfully,



Fintan Drury  
Chairman

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## APPENDIX

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Proposed amendments to Basic Tier and Sharesave Schemes:-

1. To modify the Paddy Power plc November 2000 Share Option Scheme by:-
  - (a) deleting the words “or placed under option under any other discretionary share option scheme established after the Adoption Date” in the third and fourth lines of Clause 3.2;
  - (b) deleting all of the language in Clause 3.3 and replacing it with the following:

“An Option may not be granted if the result of granting the Option would be that in any period of three successive years the number of ordinary shares in the Company placed under option under the Scheme shall, when added to the number of ordinary shares in the Company placed under option or granted, as the case may be, under the Second Tier Scheme and the 2004 LTIP, exceed three per cent of the Company’s issued ordinary share capital at the time.”;
  - (c) deleting the words “or any other share option scheme established by the Company or a Subsidiary after the Adoption Date” from Clause 4.2;
  - (d) deleting the entire of Clause 4.3 and replacing it with the following:-

“For the purpose of the limit contained in rule 4.2 Options which have lapsed or otherwise become incapable of being exercised shall be disregarded”;
  - (e) deleting the entire of Clause 4.4 and renumbering Clause 4.5 as Clause 4.4;
  - (f) inserting at the end of Clause 6.1.2 the words “The Board may also make adjustments to the basis on which Options are offered or exercised or the terms of this Scheme to take account of any change in the accounting treatment of Options to ensure that no such change shall adversely affect an Option Holder or the Company”;
  - (g) deleting from Clause 7.6 the words “For the avoidance of doubt, the date of exercise of an Option shall be determined in accordance with rule 7.1”;
  - (h) deleting the first sentence of Clause 8.1 and replacing it with the following:-

“Notwithstanding rules 7.1 to 7.3, if an Option Holder dies before the tenth anniversary of the Date of Grant, the Board may, in its discretion, allow the Option Holder’s personal representatives to exercise his Options at any time during the period of up to 12 months following his death”;
  - (i) deleting the introductory language in Clause 8.2 and replacing it with the following:-

“Notwithstanding rules 7.1 to 7.3, if an Option Holder ceases to be employed within the Group before the tenth anniversary of the Date of Grant by reason of:-”;
  - (j) inserting the words “the Board shall determine, in its absolute discretion, whether he shall be entitled to exercise all or any of his Options, and if such discretion is exercised in favour of the Option Holder,” after the end of sub-clause 8.2.3;
  - (k) replacing the word “three” with the word “six” in the second last line of the first paragraph of Clause 8.2;
  - (l) deleting the words “rule 7.1.1, 7.1.2 and” and substituting therefore the words “rules 7.1 to” in the first line of Clause 8.3 and by replacing the word “three” with the word “six” on the second last line of the first paragraph of Clause 8.3;
  - (m) deleting the words “or, being a female employee who is absence from work by reason of pregnancy or confinement, she ceases to be entitled to exercise her right to return to work under the Maternity Protection Act, 1994” from Clause 8.5;
  - (n) substituting the words “rule 7.1” for the words “rules 7.1.1 and 7.1.2” from the first lines of Clause 9.1, 9.2 and 9.3;
  - (o) substituting “rule 7” for the words “rules 7.1.1 and 7.1.2” from the first line of Clause 9.4;

- (p) inserting the words “subject to rules 8.1 to 8.3, the tenth anniversary of the Date of Grant” for the entire of Clause 11.1.
2. To modify the terms of the Paddy Power plc 2000 Sharesave Scheme by:
- (a) amending the definition of “Maximum Contribution” in Clause 1.1 to read as follows:
- “Maximum Contribution” the lesser of
- (i) such maximum monthly contribution as may be permitted under Paragraph 25 of Schedule 12A to the Act; or
- (ii) such maximum monthly contribution as may be determined from time to time by the Board;
- (b) adding the following new definition in Clause 1.1;
- “Minimum Contribution” such minimum monthly contribution as may be permitted under Paragraph 25 of Schedule 12A to the Act;
- (c) amending the definition of “Option Price” in Clause 1.1 to read as follows:
- “Option Price” the price per Share, as determined by the Board, at which an Eligible Employee may acquire Shares upon exercise of an Option being not less than 75% (rounded up to the nearest euro cent) of the Market Value on the Dealing Day immediately preceding the Date of Invitation provided that if the Market Value as determined as aforesaid is less than the nominal value of a Share, then the Option Price shall be increased to such amount as shall be equal to such nominal value;
- (d) replacing the figure “IR€10” in each of Clauses 2.5, 3.1(ii) and 3.2 with the words “the Minimum Contribution”;
- (e) deleting Clauses 5.1 and 5.2 and replacing them with the following new Clause 5.1:-
- “The number of Shares for which Options may be granted under the Scheme in any period of ten successive years shall not, when added to the number of Shares which shall have been or remain to be issued during the same period under share schemes which are required to be made available to all employees, exceed such number of shares as represents 5% of the issued ordinary share capital of the Company” and by the renumbering of Clause 5.3 as 5.2.

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**Paddy Power Plc**  
**Notice of Annual General Meeting**  
**22 June 2004**

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NOTICE is hereby given that the Annual General Meeting of Paddy Power plc will be held at The Shelbourne Hotel, St. Stephen's Green, Dublin 2 on 22 June 2004 at 11.00am for the following purposes:-

1. To receive and consider the financial statements of the Company for the year ended 31 December 2003 and the reports of the Directors and Auditors thereon.
2. To declare a final dividend of €0.0859 per share for the year ended 31 December 2003.
3. As separate resolutions, to reappoint the following persons as Directors who are recommended by the Board for reappointment:-

Nigel Northridge           (Resolution 3(a))  
Patrick Kennedy           (Resolution 3(b))

4. As separate resolutions, to re-elect the following persons as Directors who retire in accordance with Regulation 87 of the Articles of Association and offer themselves for re-election:-

John Corcoran (Resolution 4(a))  
Stewart Kenny (Resolution 4(b))  
David Power (Resolution 4(c))  
John O'Reilly (Resolution 4(d))

5. To authorise the Directors to fix the remuneration of the auditors for the year ended 31 December 2004.

**Special Business**

6. To consider and, if thought fit, pass the following as a special resolution:-

That the Articles of Association of the Company be amended as follows:-

- (a) by the deletion of Regulation 8(d) and the insertion of the following in its place:-

“8(d) Subject to the Directors being generally authorised pursuant to Section 20 of the 1983 Act and to the passing of a special resolution of the Company empowering the Directors so to do, the Directors, pursuant to and on and subject to the provisions of Section 24 of the 1983 Act, may (for so long as any such empowerment shall remain in full force and effect) allot equity securities (as defined by Section 23 of the 1983 Act) for cash pursuant to the authority conferred by the said Section 20 as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that such powers shall be limited to:-

- (i) the allotment of equity securities (including, without limitation, any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as treasury shares) in connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including, without limitation, any person entitled to options under any of the Company's share incentive schemes or any persons entitled to participate in any of the Company's profit sharing schemes for the time being) and subject to such exclusions and other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory; and
- (ii) in addition to the authority conferred by sub-paragraph (i), the allotment of equity securities (including, without limitation, any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as treasury shares) up to a maximum aggregate nominal value of €240,383 or 5% of the issued ordinary share capital of the Company at the close of business on the date on which any renewal of this authority shall be granted.”

- (b) by the deletion of Regulation 47 and by the insertion of the following Regulation in its place:-

“47 – Purchase of Own Shares and Re-issue of Treasury Shares

- (a)(i) Subject to the provisions of, and to the extent permitted by, the Acts, to any rights conferred on the Holders of any class of shares and to the following sub-paragraphs of this Article, the Company may purchase any of its shares of any class (“Acquired Shares” or “Acquired Share”, as appropriate) on such terms and conditions and in such manner as the Directors may from time to time determine.
- (ii) The Company shall not exercise any authority granted under Section 215 of the 1990 Act to make market purchases of its own shares unless the authority required by such section shall have been granted by special resolution of the Company (a “Section 215 Resolution”).
- (iii) The Company shall not be required to select the Acquired Shares to be purchased on a pro-rata basis or in any particular manner as between the Holders of shares of the same class or as between the Holders of shares of different classes or in accordance with the rights as to dividends and capital attached to any class of shares.
- (iv) For the purposes of any Section 215 Resolution:–
  - A. The aggregate nominal value of the Acquired Shares authorised to be acquired pursuant to any such Section 215 Resolution shall not exceed the higher of €480,766 or 10% of the aggregate nominal value of the aggregate share capital of the Company as at the close of business on date of the passing of such Section 215 Resolution;
  - B. The minimum price which may be paid for Acquired Shares shall be the nominal value thereof;
  - C. The maximum price which may be paid for any Acquired Share (a “Relevant Share”) shall be an amount equal to 105% of the higher of:–
    - (aa) the average of the Relevant Price for shares of the same class as the Relevant Share in respect of each of the five business days immediately preceding the day on which the Relevant Share is purchased; and
    - (bb) (if there shall be any) the average of the middle market prices for shares of the same class as the Relevant Share, as derived from information published by or under the authority of The London Stock Exchange, for the five business days immediately preceding the day on which the Relevant Share is purchased; and
  - D. For the purposes of sub-paragraph (a)(iv)C(aa), the expression “Relevant Price” shall mean, in respect of any business day on which there shall be a dealing on The Irish Stock Exchange in respect of shares of the same class as the Relevant Share, the closing quotation price in respect of such shares for such business day as derived from information published by or under the authority of The Irish Stock Exchange and in respect of any business day on which there shall be no such dealing the price which is equal to (x) the mid point between the high and low market guide prices in respect of such shares for such business day as derived from information published by or under the authority of The Irish Stock Exchange, or (y) if there shall be only one such market guide price so published, the market guide price so published;
  - E. If the means of providing the foregoing information as to dealings and prices, by reference to which the maximum price is to be determined is altered, or is replaced by some other means, such price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on The Irish Stock Exchange or The London Stock Exchange or their respective equivalents.
- (b) For the purpose of any resolution of the Company proposing to determine, in accordance with Section 209 of the 1990 Act, the re-issue price range at which any treasury shares for the time being held by the Company may be re-issued off market:–
  - (i) the maximum price at which a treasury share may be re-issued off market shall be an amount equal to 120% of the Appropriate Price;
  - (ii) the minimum price at which a treasury share may be re-issued off market will be an amount equal to 95% of the Appropriate Price;
  - (iii) for the purposes of sub-paragraphs (b)(i) and (ii) the expression “Appropriate Price” shall mean the higher of:–
    - A. the average of the Relevant Price for shares of the same class of which such treasury share is to be re-issued in respect of each of the ten business days immediately preceding the day on which the treasury share is re-issued;

- B. (if there shall be any) the average of the middle market prices for shares of the class of which such treasury share is to be re-issued as derived from information published by or under the authority of The London Stock Exchange for the ten business days immediately preceding the day on which such treasury share is re-issued; and
  - (iv) for the purposes of sub-paragraph (b)(iii)A, the expression “Relevant Price” shall mean in respect of any business day on which there shall be a dealing on The Irish Stock Exchange in respect of shares of the class of which the treasury share is to be re-issued, the closing quotation price in respect of such shares for such business day as derived from information published by or under the authority of The Irish Stock Exchange and, in respect of any business day on which there shall be no such dealing, the price which is equal to (x) the mid point between the high and low market guide prices in respect of such shares for such business day as derived from information published by or under the authority of The Irish Stock Exchange or (y) if there shall be only one such market guide price so published, the market guide price so published;
  - (v) if the means of providing the foregoing information as to dealings and prices, by reference to which the Appropriate Price is to be determined, is altered or is replaced by some other means, such price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on The Irish Stock Exchange or The London Stock Exchange or their respective equivalents.
  - (c) by the deletion of the figure “IRE400,000” from the first line of Regulation 77 and the substitution thereof of the figure “€750,000”.
7. To consider, and if though fit, pass the following as a special resolution:-
- “That, subject to the adoption of Resolution 6:-
- (a) for the purposes of Section 24 of the Companies (Amendment) Act 1983 and subject to the Directors being authorised pursuant to Section 20 of such Act, the Directors be empowered to allot equity securities for cash pursuant to and in accordance with the provisions of Regulation 8(d) of the Articles of the Association of the Company; and
  - (b) the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or 21 December 2005 unless previously renewed, varied or revoked by the Company in general meeting.”
8. To consider and, if thought fit, to pass the following as a special resolution:-
- “That, subject to the adoption of Resolution 6:-
- (a) the Company and/or any subsidiary (being a body corporate referred to in the European Communities (Public Limited Companies Subsidiaries) Regulations 1997) of the Company be generally authorised to make market purchases (as defined by Section 212 of the Companies Act, 1990) of shares of any class of the Company on such terms and conditions and in such manner as the Directors may from time to time determine in accordance with and subject to the provisions of the Companies Act 1990 and to the restrictions and provisions set out in Regulation 47(a) of the Articles of Association of the Company.
  - (b) the re-issue price range at which any treasury share (as defined in Section 209 of the Companies Act 1990) for the time being held by the Company, may be re-issued off market, shall be the price range set out in Article 47(b) of the Articles of Association of the Company; and
  - (c) the authorities hereby conferred shall expire at the close of business on the earlier of the date of the next annual general meeting of the Company or 21 December 2005 unless, in any such case, previously renewed, varied or revoked by the Company in general meeting.”
9. To consider and, if thought fit, pass the following as an ordinary resolution:-
- “That the establishment of the Paddy Power 2004 Second Tier Option Scheme, the principal features of which are summarised in the Chairman’s letter dated 28 May 2004 which accompanies the notice convening the meeting, and the rules of such scheme, a copy of which is produced to the meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved and adopted and the Directors be authorised to:-
- (a) do all acts and things which they may consider necessary or expedient to effectively implement such scheme; and/or

- (b) establish schemes in other jurisdictions similar in substance to such scheme or to modify such scheme for the benefit of employees in Ireland and elsewhere subject to such changes as may be necessary or desirable to take account of Irish and overseas taxation, security laws or other legal requirements.”

10. To consider and, if thought fit, pass the following as an ordinary resolution:-

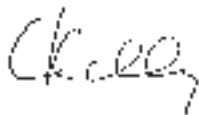
“That the establishment of the Paddy Power 2004 Long Term Incentive Plan, the principal features of which are summarised in the Chairman’s Letter dated 28 May 2004 which accompanies the notice convening the meeting, and the rules of such plan, a copy of which is provided to the meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and adopted and the Directors be authorised to:-

- (a) do all acts and things which they may consider necessary or expedient to effectively implement such plan; and/or
- (b) establish schemes in other jurisdictions similar in substance to such plan or modify such plan for the benefit of employees in Ireland and elsewhere subject to such changes as may be necessary or desirable to take account of Irish and overseas taxation security laws or other legal requirements”.

11. To consider and, if thought fit, pass the following as an ordinary resolution:-

“That the modifications and alterations to the Paddy Power plc November 2000 Share Option Scheme and the Paddy Power plc 2000 Sharesave Scheme set out in the Appendix to the Chairman’s letter dated 28 May 2004 which accompanies the notice convening this meeting, be and are hereby approved provided that the Board of Directors of the Company, in its absolute discretion, may adapt or alter any of the alterations proposed to the Sharesave Scheme or make further alterations thereto to secure the approval of the Revenue Commissioners to the modifications proposed in such Appendix.”

**BY ORDER OF THE BOARD**



**CHARLES KELLY  
SECRETARY  
28 MAY 2004**

**REGISTERED OFFICE**

**Airton House,  
Airton Road,  
Tallaght,  
Dublin 24**

**Notes:**

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his/her place. Completion of a Form of Proxy will not affect the right of a member to attend, speak and vote at the meeting in person. A Form of Proxy is enclosed with this Notice.
2. To be valid, Forms of Proxy duly signed must be returned (together with the power of attorney or such other authority (if any) under which they are signed or a notarially signed copy of such power or authority) so as to reach the Company’s Registrar, Computershare Investor Services (Ireland) Limited, PO Box 954, Sandyford, Dublin 18, by not later than 11.00am on 20 June 2004.
3. The Company, pursuant to regulation 14 of the Companies Act 1990 (Uncertified Securities) Regulations 1996, specifies that only those shareholders registered in the register of members of the Company as at 11.00am on 20 June 2004 (or in the case of an adjournment as at 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register after this time will be disregarded in determining the right of any person to attend and/or vote at the meeting.