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 professional adviser (being in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act, 1995 or the Stock Exchange Act, 1995 and, in the case of Shareholders in the United Kingdom, an advisor authorised pursuant to the Financial Services and Markets Act 2000, of the United Kingdom.)

If you have sold some or all of your Ordinary Shares in Paddy Power plc please forward this document, the Form of Proxy and the Annual Report enclosed herewith to the stockbroker, bank or other agent through whom the sale or transfer was effected for immediate transmission to the purchaser or transferee.

PADDY POWER plc

PROPOSED NEW 2003 LONG TERM INCENTIVE PLAN

A letter from the Chairman of Paddy Power plc is set out on pages 5 to 6 of this document.

Your attention is drawn to the Notice of the Annual General Meeting, to be held on 3 June 2003 at 11.00 am at The Shelbourne Hotel, St. Stephen's Green, Dublin 2 which is set out on pages 51 to 53 of the Annual Report.

A Form of Proxy for use at the meeting is enclosed and, if you wish to appoint a proxy, the form should be returned to the Company's Registrars, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 so as to be received no later than 11.00 am on 1 June 2003.

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DEFINITIONS

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

"Annual General Meeting" or "AGM"	the Annual General Meeting of the Company convened by the Notice of the Annual General Meeting set out on pages 51 to 53 of the Annual Report to be held on 3 June 2003
"Annual Report"	the Paddy Power plc 2002 Annual Report
"Board" or "Directors"	the directors for the time being of the Company.
"CPI"	the cumulative weighted average consumer price indices compiled and published by the relevant authority in each of the jurisdictions where Paddy Power carries on its business where such weighting shall be based on turnover of the Paddy Power in each such jurisdiction.
"Ordinary Shares"	ordinary Shares of €0.10 each in the capital of the Company.
"Paddy Power" or "the Company"	Paddy Power plc.
"Plan" or "2003 Long Term Incentive Plan"	the proposed 2003 Long Term Incentive Plan.
"Shareholder"	a holder of Ordinary Shares.
"Share Schemes"	the November 2000 Share Option Scheme, the Sharesave Scheme, the 2000 Restricted Share Scheme and May 2000 Executive Share Option Scheme.

TIMETABLE

Latest time for receipt of Forms of Proxy for AGM	11.00 am on 1 June 2003
AGM	11.00 am on 3 June 2003

PADDY POWER plc

(Registered in Ireland No. 16956)

Directors:	*Registered Office:*
Stewart Kenny (Executive Chairman)	Airton House
John O'Reilly (Chief Executive)	Airton Road
Ross Ivers (Group Finance Director)	Tallaght
Ian Armitage (Non-Executive Director)	Dublin 24
John Corcoran (Non-Executive Director)	
Fintan Drury (Non-Executive Director)	
Edward McDaid (Non-Executive Director)	
David Power (Non-Executive Director)	
Stephen Thomas (Non-Executive Director)	9 May 2003

To: The holders of Ordinary Shares and, for information only, to participants in the Share Schemes.

Dear Sir/Madam

Proposed new Long Term Incentive Plan

I am writing to you to outline the background to the resolution to adopt the proposed new Long Term Incentive Plan to be proposed at the forthcoming Annual General Meeting ("AGM"), which the board of directors is recommending for your approval (the "Proposal").

This circular is intended to provide you with information on your Board's Proposal.

Your attention is drawn to the notice of the AGM of the Company, which will be held at The Shelbourne Hotel, on 3 June 2003 at 11.00 am, which is set out on pages 51 to 53 of the Annual Report. The Proposal will be considered as an item of special business at the AGM.

Proposed new Long Term Incentive Plan

Your Directors are proposing the introduction of a new incentive scheme for executives (the "2003 Long Term Incentive Plan"). Your Directors believe that the Plan is needed to attract, motivate and retain key executives. The proposed Plan will underpin a reward structure that is competitive and consistent with current practice in comparable businesses. It will enable us to recruit, retain and motivate the people we need to implement our ambitious business goals and ensure their proper alignment with shareholders' interests. Further details of the proposed Long Term Incentive Plan are given on pages 7/8 of this document. A copy of the draft rules will be available for inspection at the company's legal advisors Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2 from the date of this Notice to the date of the Annual General Meeting and at the meeting itself for 15 minutes prior to and during the meeting.

Action to be taken

A Form of Proxy for use at the AGM is enclosed. To be valid, the Forms of Proxy must be completed and returned to the Company's Registrar, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 no later than 11.00 am on 1 June 2003. The completion and lodging of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Recommendation

Your Board considers that the Proposal set out above is in the best interests of the Company and its Shareholders and, accordingly, your Board recommends that you vote in favour of the resolution at the Annual General Meeting.

Yours faithfully,

Stewart Kenny
Executive Chairman

DESCRIPTION OF PROPOSED 2003 LONG TERM INCENTIVE PLAN

The proposed 2003 Long Term Incentive Plan (the "Plan") will be a long-term incentive mechanism for key executives only. It is not intended that it be introduced more widely across Paddy Power.

The Plan will involve the making of conditional share awards. The Plan will use Paddy Power shares as the underlying unit of value.

The Plan will be administered by the Remuneration Committee of the Board. The award period will cover the financial years ending on 31 December 2002 to 2007. In respect of this five year performance period, the Remuneration Committee of the Company will make a conditional award of a number of Paddy Power shares to each eligible executive. The value of the conditional award made to an individual executive will reflect the contribution expected of the individual towards the achievement of corporate results, and will not exceed eight times basic salary for an individual executive. In the case of new entrants to the Plan after the commencement of the five year performance period, it may be possible to make scaled back awards in respect of the balance of the performance period to such new entrants.

The proportion of the conditional award which will vest to the executive will be dependent upon Paddy Power's performance against defined benchmarks: no vesting will occur unless growth in the Group's earnings per share exceeds compound growth in the Consumer Price Index plus 12% per annum. The threshold for the vesting of any award will be 80% of the performance target having been met, such award to be scaled back proportionately.

Conditional awards may not vest prior to 31 December 2005 or after 31 December 2008. If performance targets and employment requirements are satisfied, 50%, 25% and 25% respectively of the award will vest on the announcement of the results for each of the years ending 31 December 2005, 2006 and 2007. Delayed vesting will be allowed where cumulative performance targets are achieved later.

Participants in the Plan will be required to hold a minimum of 50% of the shares which vest under an award until the announcement by the Company of its results for the year ending 31 December 2008.

In general, no benefit can be earned if a participant leaves the Company. If a participant leaves as a result of death, injury, ill health, disability, retirement, redundancy, etc prior to the end of the performance period, a time-apportioned benefit can be granted after the performance period and subject to the performance measures. In the event of a take-over of the Company the performance conditions will be disapplied.

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

An award may not be granted if the number of shares under the award together with the number of shares under any of the Share Schemes in the preceding ten year period exceed 10% of the Company's issued share capital at that time. In addition an award may not be granted if as a result of granting the award, the number of shares the subject of awards granted under the Plan would exceed 2% of the issued share capital at that time or if new shares representing more than 3% of the issued share capital of the Company would be issuable under the Plan and any of the Share Schemes pursuant to grants made in the previous three years. On the adoption of the Plan, the Board will amend the Rules of the November 2000 Share Option Scheme to reduce the number of shares that may be placed under option under that Scheme or any other discretionary share option scheme from 5% in ten years to 4% in ten years.

Awards of shares will not form part of the employees' pensionable remuneration.

Following any rights issue or capitalisation issue or other variation of capital, the conditions attaching to the awards may be adjusted in such manner as the Remuneration Committee determines, subject to written confirmation from the Company's auditors that the adjustment is, in their opinion, fair and reasonable.

The rules of the Plan permit changes to be made to the rules by the Remuneration Committee so as to facilitate the better administration of the Plan, to take account of changes in legislation and to obtain or maintain favourable taxation, exchange control or regulatory treatment. Except for these changes, no other changes may be made to the Plan, which might otherwise benefit participants, without the approval of Shareholders in general meeting.