

31 March 2022

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Demerger Booklet registered with Australian Securities and Investments Commission

Tabcorp Holdings Limited (**Tabcorp**) confirms that the Australian Securities and Investments Commission has registered the Demerger Booklet in relation to the proposed demerger of The Lottery Corporation Limited by Tabcorp (**Demerger**).

A copy of the Demerger Booklet is attached and will be made available on Tabcorp's website (www.tabcorp.com.au/investors/demerger).

Samples of the General Meeting Proxy Form, Scheme Meeting Proxy Form and Sale Facility Form are also attached to this announcement (**Forms**).

The Demerger Booklet and Forms will be despatched to Tabcorp shareholders on or before Friday, 8 April 2022 in the manner described in the announcement made yesterday.

This announcement was authorised for release by the Tabcorp Board.

For more information:

Media: Nicholas Tzaferis, GM Corporate Communications, +61 3 9868 2529

Investors/Analysts: Chris Richardson, GM Investor Relations & Treasury, +61 3 9868 2800

| | | | |
|--------------------------|---|------------------------------------|--------------------------------------|
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|--------------------------|---|------------------------------------|--------------------------------------|

DEMERGER BOOKLET

FOR THE DEMERGER OF THE LOTTERY CORPORATION

VOTE IN FAVOUR

Tabcorp



The Tabcorp Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger of The Lottery Corporation.

The Independent Expert has concluded that the Demerger is in the best interests of Tabcorp Shareholders.

This is an important document and requires your immediate attention.

You should read this Demerger Booklet in its entirety prior to deciding whether or not to vote in favour of the resolutions to approve the Demerger. If you are in any doubt as to what action you should take, please consult your financial, legal, taxation or other professional adviser before voting on the Demerger.

Financial
Adviser  **UBS**

Legal
Adviser  **HERBERT
SMITH
FREEHILLS**

Tabcorp Holdings Limited (ABN 66 063 780 709)

IMPORTANT NOTICES

General

This Demerger Booklet is important. Tabcorp Shareholders should carefully read this Demerger Booklet in its entirety before making a decision as to how to vote on the Demerger Resolutions to be considered at the General Meeting and the Scheme Meeting.

No investment advice

The information contained in this Demerger Booklet does not constitute financial product advice and has been prepared without reference to your individual investment objectives, financial situation, taxation position and particular needs. The information in this Demerger Booklet should not be relied upon as the sole basis for any investment decision. Tabcorp Shareholders should seek independent legal, financial, taxation or other professional advice before making any investment decision.

Purpose of this Demerger Booklet

This Demerger Booklet sets out the effects of the Demerger, certain information required by law and all other information known to the Tabcorp Directors which is material to the decision of Tabcorp Shareholders to vote in favour of, or against, the Demerger Resolutions to effect the Capital Reduction and the Scheme (other than information previously disclosed to Tabcorp Shareholders) and includes:

- a statement of all the information known to Tabcorp that is material to Tabcorp Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act; and
- the explanatory statement, as required by section 412 of the Corporations Act, in relation to the Scheme.

The Demerger is conditional on (amongst other things) both the Demerger Resolutions being passed at the respective shareholder meetings. Information regarding the Capital Reduction Resolution is set out in the Notices of Meeting.

Preparation of and responsibility for this Demerger Booklet

This Demerger Booklet (other than the Independent Expert's Report and the Independent Limited Assurance Report) has been prepared by Tabcorp as at the date of this Demerger Booklet and Tabcorp is responsible for the content of this Demerger Booklet.

Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report and takes responsibility for that report. A copy of that report is contained in Annexure A – Independent Expert's Report.

Ernst & Young Strategy and Transactions Limited has prepared the Independent Limited Assurance Report and takes responsibility for that report. A copy of that report is set out in Annexure B – Independent Limited Assurance Report.

Role of ASIC

A copy of this Demerger Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Hearing.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Demerger Booklet.

Role of ASX

The Lottery Corporation will apply for admission to the Official List and for official quotation of The Lottery Corporation Shares on the ASX.

Neither the ASX nor any of its officers takes any responsibility for the contents of this Demerger Booklet. The fact that the ASX may admit The Lottery Corporation to the Official List should not be taken in any way as an indication of, the merits of an investment in The Lottery Corporation.

Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement contained in this Demerger Booklet required to accompany the Notices of Meeting does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how Tabcorp Shareholders should vote (on this matter Tabcorp Shareholders must reach their own decision); or
- has prepared, or is responsible for the contents of, the explanatory statement contained in this Demerger Booklet.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Tabcorp Shareholder may appear at the Second Court Hearing, expected to be held at 9:15am on Friday, 20 May 2022 at the Supreme Court of New South Wales at 184 Phillip Street, Sydney NSW 2000.

Any Tabcorp Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Tabcorp a notice of appearance in the prescribed form together with any affidavit that the Tabcorp Shareholder proposes to rely on.

Notices of Meeting

Notices convening the General Meeting and Scheme Meeting are set out in Annexure E – Notices of Meeting.

Status of this Demerger Booklet

This Demerger Booklet is not a prospectus lodged under chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the Corporations Act.

Foreign jurisdictions and shareholders

Tabcorp Shareholders who are Ineligible Overseas Shareholders will not receive The Lottery Corporation Shares under the Demerger. The Lottery Corporation Shares that would otherwise be transferred to these shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders. Refer to Section 7.8 for further information.

Tabcorp Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger.

This Demerger Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify The Lottery Corporation Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available to Tabcorp, Tabcorp Shareholders whose addresses are shown in the register on the Record Date as being in the following jurisdictions will be entitled to have The Lottery Corporation Shares issued to them under the Scheme subject to any qualifications set out in this Demerger Booklet in respect of that jurisdiction:

- Australia, Canada, Hong Kong, New Zealand, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation Shares to a Tabcorp Shareholder with a registered address in such jurisdiction.

Nominees, custodians and other Tabcorp Shareholders who hold Tabcorp Shares on behalf of a beneficial owner resident outside Australia, Canada, Hong Kong, New Zealand, Singapore, the United Kingdom or the United States may not forward this Demerger Booklet (or any accompanying document) to anyone outside these countries without the consent of Tabcorp.

Disclaimer as to forward looking statements

Forward looking statements may generally be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intend', 'foresee', 'likely', 'should', 'planned', 'may', 'might', 'is confident', 'estimate', 'potential' or other similar words or phrases. These statements discuss future expectations concerning the results of

operations or financial position of the Tabcorp Group or The Lottery Corporation Group, or provide other forward looking statements.

These forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which may be beyond Tabcorp's or The Lottery Corporation's control, and which may cause the actual results, performance or achievements of Tabcorp or The Lottery Corporation to be materially different from future results, performance or achievements expressed or implied by such statements.

Other than as required by law, neither Tabcorp, The Lottery Corporation, their officers, advisers nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Demerger Booklet will actually occur.

Additionally, statements of the intentions of the Tabcorp Board or The Lottery Corporation Board reflect the present intentions of the Tabcorp Directors and the Directors of The Lottery Corporation from the Effective Date respectively as at the date of this Demerger Booklet and may be subject to change as the composition of the Tabcorp Board and The Lottery Corporation Board alters, or as circumstances require.

Except as required by law, Tabcorp and The Lottery Corporation disclaim any obligation or undertaking to update or revise any forward looking statements in this Demerger Booklet.

Presentation of financial information

Sections 3.13 and 4.11 set out in detail the financial information referred to in this Demerger Booklet. Those sections contain details of the basis on which the financial information has been prepared and presented.

The Tabcorp Historical Financial information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the presentation, disclosures and comparative information that are required in an annual general purpose financial report prepared in accordance with the Corporations Act.

Unless otherwise stated or implied, all pro forma financial information in this Demerger Booklet gives effect to the pro forma adjustments referred to in Sections 3.13 and 4.11.

The Financial Information contained in this Demerger Booklet is historical only. Past financial performance is not necessarily a guide to future financial performance.

Privacy and personal information

Tabcorp, The Lottery Corporation and their respective share registries (each an Organisation), may collect personal information in the process of implementing the Demerger. The personal information may include the

IMPORTANT NOTICES *continued*

names, addresses, other contact details and details of the shareholdings of Tabcorp Shareholders, and the names of individuals appointed by Tabcorp Shareholders as proxies, corporate representatives or attorneys at the Meetings.

Tabcorp Shareholders who are individuals, and individuals appointed as proxies, corporate representatives or attorneys in respect of whom personal information is collected as outlined in this section have certain rights to access their personal information. They should call the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time) if they wish to request access to the personal information held by any of the Organisations. Tabcorp Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote on the Demerger Resolutions should inform those individuals of the matters outlined in this section.

The personal information will be collected for the purpose of implementing and administering the shareholdings arising from the Demerger. An Organisation may, to the extent permitted by law, disclose personal information collected by it to another Organisation, to securities brokers, to print and mail service providers and any other service providers and advisers engaged by an Organisation in relation to the implementation and administration of the shareholdings arising from the Demerger. The personal information of Ineligible Overseas Shareholders and Selling Shareholders may also be disclosed to the Sale Agent for the purposes of operating the Sale Facilities.

The main consequence of not collecting the personal information outlined in this section would be that Tabcorp may be hindered in, or prevented from, conducting the Meetings and implementing the Demerger.

Interpretation

Capitalised terms and certain abbreviations used in this Demerger Booklet are defined in the Glossary in Section 9.

In this Demerger Booklet, the term 'New Tabcorp' is used to describe Tabcorp as it will exist as if the Demerger has been implemented. The term 'New Tabcorp' is used in this Demerger Booklet for simplicity of explanation only, to distinguish between that entity during the period prior to, and the period after, the Demerger.

The Lottery Corporation business has historically been operated out of Tatts Group Limited, as well as certain Subsidiaries that undertake The Lottery Corporation business operations described in Section 3. The terms 'The Lottery Corporation' and 'TLC' used in this Demerger Booklet reflect the corporate restructuring referred to in Section 5.1 and the principles of the Separation Deed summarised in Section 7.7, with references to The Lottery Corporation in the historic periods inclusive of any businesses that will constitute The Lottery Corporation, and exclusive of any businesses that will not constitute The Lottery Corporation, as it will exist after the Demerger has been implemented. The term 'standalone' is used to describe The Lottery Corporation as it will exist after the Demerger, with a separate board and management team from New Tabcorp.

References in this Demerger Booklet to The Lottery Corporation Board or to The Lottery Corporation Directors means the board or directors of The Lottery Corporation immediately following the Effective Date (or from the time following the Effective Date). It is intended that the board of The Lottery Corporation will be reconstituted on or before the Effective Date to reflect the board composition set out in Section 3.7. References in this Demerger Booklet to strategies or policies to be applied by The Lottery Corporation following the Demerger reflect the views and intentions of the intended directors of The Lottery Corporation from the Effective Date and The Lottery Corporation senior executives (and, for the avoidance of doubt, should not be taken to refer to the views and intentions of the directors of The Lottery Corporation in office at the date of this Demerger Booklet).

Unless otherwise stated, all times and dates referred to in this Demerger Booklet are times and dates in Sydney, Australia time. All dates and times following the date of the General Meeting and the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities. Any changes to the Timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and will be notified on Tabcorp's website at www.tabcorp.com.au.

In this Demerger Booklet, unless otherwise specified or the context otherwise requires, references to \$ are to Australian dollars.

All references to years are references to Tabcorp's financial years, ended 30 June, unless otherwise indicated.

Any discrepancies between totals in tables and sums of components contained in this Demerger Booklet and between those figures and figures referred to in other parts of this Demerger Booklet are due to rounding.

Trade marks

® These trade marks are registered in Australia (either across Australia or limited to certain State/s or Territory/ies) and are owned by or licensed to a member of the Tabcorp Group or The Lottery Corporation Group.

Date

This Demerger Booklet is dated 30 March 2022.

Supplementary information

Refer to Section 7.9 for information about the steps that Tabcorp will take if information about the Demerger needs to be updated.

If you would like to receive a hard copy of this Demerger Booklet and Notices of Meeting, please contact the Tabcorp Share Registry.

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CHAIRMAN'S LETTER

Dear Tabcorp Shareholder,

On behalf of the Tabcorp Board, I am pleased to present you this Demerger Booklet and to invite you to support the demerger of Tabcorp's Lotteries and Keno business, The Lottery Corporation (**TLC**).

Your Board strongly encourages you to support the Demerger, which will create two ASX-listed companies that operate independently with focused Executive Leadership Teams (**ELTs**).

- The Lottery Corporation – Australia's leading lottery and Keno operator and one of the highest performing lottery operators globally¹, underpinned by its national distribution network of 3,863 lottery outlets and 3,409 Keno venues (as at 31 December 2021), portfolio of exclusive and/or long-dated licences and approvals, high-profile, recognised brands, and innovative products.
- New Tabcorp – a leading multi-branded, wagering, media and gaming services operator. New Tabcorp provides wagering across 4,257 retail venues, racing and sports vision across 4,790 media venues and gaming services across 3,955 venues (as at 31 December 2021) as well as transformed omni-channel wagering and media platforms.

The Board's decision to pursue a demerger of The Lottery Corporation follows the strategic review it conducted over March 2021 to July 2021. As part of the strategic review, the Board considered a number of potential alternatives including the sale of Tabcorp's Wagering and Media and Gaming Services businesses, following receipt of several unsolicited, non-binding and indicative acquisition proposals for the Wagering and Media business, with one proposal also including the Gaming Services business. After assessing the proposals carefully in the context of the strategic review, the Board determined that it preferred the Demerger on the basis that it represents the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp Shareholders.

Through the Tabcorp-Tatts Group merger in 2017 and the subsequent integration, Tabcorp merged six complementary businesses into its current three businesses: Lotteries and Keno, Wagering and Media and Gaming Services. The transaction has created synergies and enhanced the diversification of each of the three businesses, with Tabcorp now looking to demerge one of these businesses, the Lotteries and Keno business.

The Board anticipates that The Lottery Corporation will be well positioned to continue to generate attractive returns for shareholders, driven by its strong cash flow generation, demonstrated ability to drive growth through product innovation and active game portfolio management as well as future potential upside from further enhancing the customer experience and increasing digital penetration.

The Board anticipates that New Tabcorp will also be well positioned to deliver a compelling customer experience via its omni-channel model, simplify and streamline MAX, as well as gain future potential upside from any future Industry Change in the Australian wagering and gaming industry.

The Board is committed to maximising the opportunity for both The Lottery Corporation and New Tabcorp to succeed as independent companies. If the Demerger proceeds, both The Lottery Corporation and New Tabcorp will be allocated appropriate balance sheets and net debt levels to support their respective business requirements and profiles. The Lottery Corporation and New Tabcorp also have experienced and knowledgeable Boards and ELTs, as detailed in Sections 3.7 and 4.7.

After considering alternatives for Tabcorp and the advantages, disadvantages and risks of the Demerger, the Board unanimously considers that the Demerger is in the best interests of Tabcorp Shareholders. Grant Samuel, the Independent Expert appointed by Tabcorp, has also concluded that the Demerger is in the best interests of Tabcorp Shareholders. A copy of the Independent Expert's Report is contained in Annexure A – Independent Expert's Report of this Demerger Booklet.

If the Demerger is approved and implemented, and you are an Eligible Tabcorp Shareholder (who has not elected to become a Selling Shareholder), you will retain your current existing shares in Tabcorp and receive one The Lottery Corporation Share for each Tabcorp Share you hold on the Record Date. The Record Date is expected to be Wednesday, 25 May 2022. Post implementation of the Demerger, you will be able to retain your shares in The Lottery Corporation and Tabcorp, sell either or sell both.

This Demerger Booklet sets out important information about the Demerger that will assist you to make an informed decision about the Demerger, including advantages, disadvantages and risks of the Demerger (see Section 2), the risks of an investment in The Lottery Corporation

¹ The Lottery Corporation has the third-highest draw lottery game sales per capita worldwide. Source: La Fleur's Almanac 2021 (Lotto and spiel).

Shares (see Section 3.14) and the risks of a continued investment in New Tabcorp Shares (see Section 4.12). I encourage you to read this Demerger Booklet carefully in its entirety as part of your consideration of the Demerger Resolutions.

If you have any questions about the Demerger Booklet or the Demerger, please consult your financial, legal, taxation or other professional adviser. You may also call the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time) or visit the Tabcorp website at www.tabcorp.com.au/investors/demerger.

The Demerger must be approved by Tabcorp Shareholders at a General Meeting and a Scheme Meeting to be held consecutively on Thursday, 12 May 2022, with the General Meeting commencing at 10:00am (Sydney time) at the Amora Hotel Jamison Sydney, Whiteley Ballroom, 11 Jamison Street, Sydney NSW 2000. Shareholders may participate in the Meetings either by attending in person or online at <https://meetings.linkgroup.com/TAHGeneral22> for the General Meeting and <https://meetings.linkgroup.com/TAHScheme22> for the Scheme Meeting.

Shareholders may vote in person, by proxy, by attorney, or in the case of a corporation, by corporate representative. If you are voting by proxy or by corporate representative, your completed proxy or corporate representative forms must be received by 7:00pm (Sydney time) on Tuesday, 10 May 2022.

The Tabcorp Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger². Each Tabcorp Director intends to vote any Tabcorp Shares held by or on behalf of that Tabcorp Director in favour of the resolutions to approve the Demerger.

² Mr David Attenborough, the Tabcorp MD & CEO, will cease employment with Tabcorp following the Demerger and will receive certain entitlements as a result (see Section 7.1.5). The Tabcorp Board considers that, despite these arrangements, it is appropriate for Mr Attenborough to make a recommendation in relation to the Demerger Resolutions given his knowledge of Tabcorp and the industry, and that Tabcorp Shareholders would wish to know Mr Attenborough's views in relation to the Demerger. Mr Attenborough also considers that it is appropriate for him to make a recommendation in relation to the Demerger Resolutions.



Thank you for your continued support.

Yours sincerely

Steven Gregg
Chairman

The Demerger must be approved by Tabcorp Shareholders at a General Meeting and a Scheme Meeting to be held consecutively on Thursday, 12 May 2022

HIGHLIGHTS OF THE DEMERGER

The Demerger of The Lottery Corporation from Tabcorp is anticipated to:

| | |
|---|---|
| ✓ | Create two significant businesses with focused ELTs |
| ✓ | Allow each business to adopt a more focused operating profile and capital structure more aligned to its core operations |
| ✓ | Preserve shareholders' ability to benefit from participating in any future M&A activity |
| ✓ | Allow shareholders to retain full upside potential from various growth opportunities which may arise for both The Lottery Corporation and New Tabcorp |
| ✓ | Create access to new and different investor categories with different investment preferences and ESG criteria |
| ✓ | Allow shareholders to value each business on a standalone basis with potential for market re-rating |

... with the benefits expected to outweigh the one-off and ongoing costs and other disadvantages, detailed in Section 2.3, associated with the Demerger.

Each Tabcorp Director recommends that you vote in favour of the resolutions to approve the Demerger³.

³ This includes the recommendation of Mr David Attenborough, the current Tabcorp MD & CEO, who will cease employment if the Demerger proceeds and will receive certain entitlements as a consequence (see footnote 2 and Section 7.1.5).

OVERVIEW

The Lottery Corporation and New Tabcorp overviews⁴



The Lottery Corporation (TLC)

Scale, strong licences,
digital upside,
strong cash flow generation,
defensive qualities

FY21 Pro Forma⁵

| | | |
|----------------|---------------|---------------|
| \$3.2bn | \$611m | \$531m |
| Revenue | EBITDA | EBIT |



- Australia's leading lottery operator with exclusive and/or long-dated licences and approvals (excluding WA)
- Licensed to provide Keno to venues in NSW, VIC, QLD, SA and the ACT (including digital approvals in the ACT and VIC)
- Omni-channel operator with a distribution network of 3,863 lottery outlets, 3,409 Keno venues and digital platforms (web and app)
- One of the highest performing lotteries businesses globally⁶ with a track record of driving growth through product innovation
- Strong and growing digital penetration with digital share of turnover at 32.8% for Lotteries and 15.5% for Keno in FY21



New Tabcorp

Scale, diversification, unique omni-channel offering, long-dated retail licences, growth potential from possible Industry Change in the wagering and gaming industry

FY21 Pro Forma⁵

| | | |
|----------------|---------------|---------------|
| \$2.5bn | \$464m | \$185m |
| Revenue | EBITDA | EBIT |



- A leading omni-channel wagering operator in Australia with exclusive retail licences (excluding WA)
- Wagering footprint of 4,257 on-course and retail venues, and digital platforms (digital share of turnover approximately 58% in FY21)
- A leader in multi-venue, multi-channel racing and sports broadcasting in Australia
- Gaming services operator servicing 84% of EGMs in Australia⁷, providing monitoring services, financing, maintenance and value-added technology and advisory solutions
- Owns 100% of Sky Racing World and Premier Gateway International, which are established and growing international businesses

⁴ Statistics as at 31 December 2021 unless otherwise specified.

⁵ Pro forma historical figures shown for revenue, EBITDA (excluding impairment and significant items) and EBIT (excluding significant items).

⁶ The Lottery Corporation has the third-highest draw lottery game sales per capita worldwide. Source: La Fleur's Almanac 2021 (Lotto and spiel).

⁷ Based on total number of EGMs that MAX provides at least one product or service to.

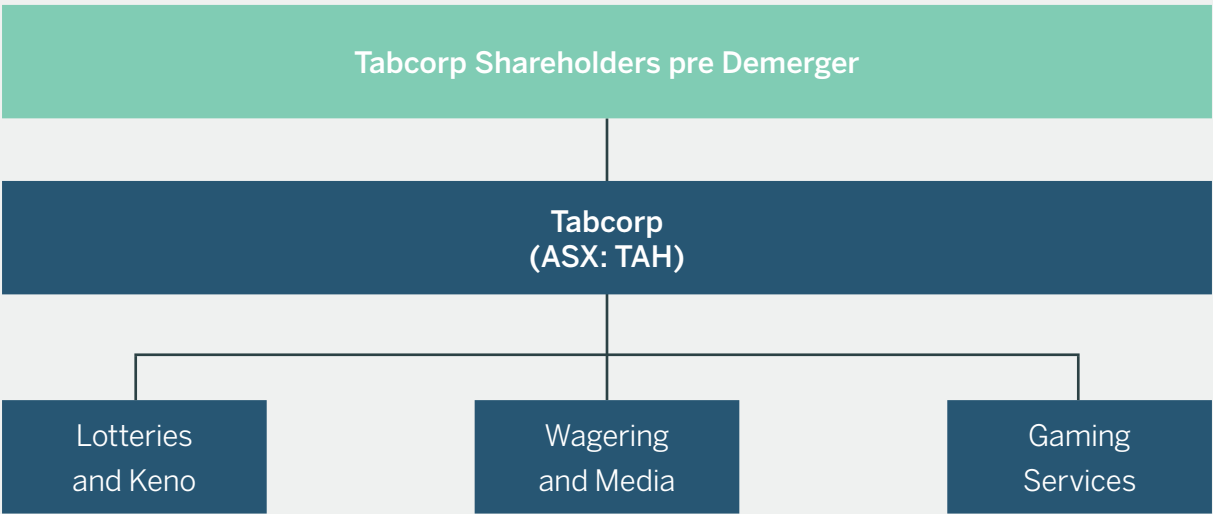
HOW IT WORKS

How will the Demerger take effect?

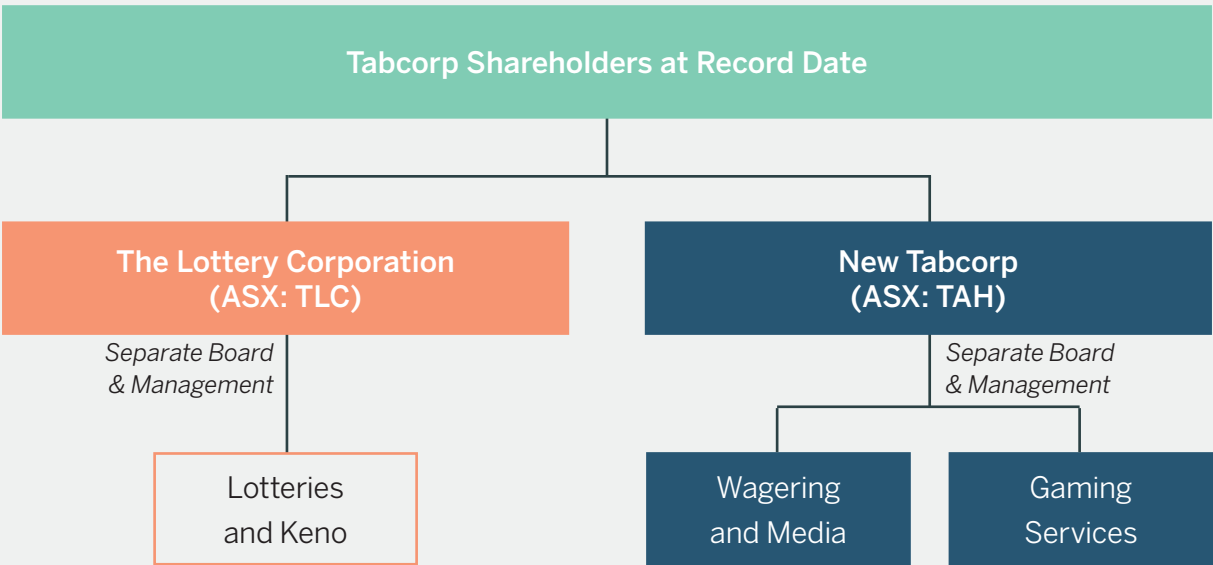
The companies which constitute the Lotteries and Keno business are currently owned by Tabcorp. As a result of the Demerger, the Lotteries and Keno business will become a standalone company listed on the ASX, named The Lottery Corporation (ASX: TLC). The Lottery Corporation will operate independently of New Tabcorp (other than in respect of certain transitional arrangements).

Following the Demerger, New Tabcorp will continue to operate the Wagering and Media and Gaming Services businesses. Each of The Lottery Corporation and New Tabcorp will be of a substantial size and listed on the ASX.

A simplified structure of Tabcorp and its existing businesses (prior to the Demerger) is set out below:



Following the Demerger, Tabcorp’s businesses will be held by two separately listed companies. A simplified structure of New Tabcorp and The Lottery Corporation after the Demerger is set out below:



KEY DATES

| Event | Indicative Date |
|--|--|
| Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting | Wednesday, 30 March 2022 |
| Last time and date by which the General Meeting Proxy Form and the Scheme Proxy Form can be lodged Time and date for determining eligibility to vote at General Meeting and Scheme Meeting | Tuesday, 10 May 2022 7:00pm (Sydney time) |
| General Meeting | Thursday, 12 May 2022 10:00am (Sydney time) |
| Scheme Meeting | Thursday, 12 May 2022 10.30am (Sydney time) or as soon after that time as the General Meeting has concluded or been adjourned |

If Tabcorp Shareholders approve the Demerger Resolutions:

| | |
|--|---|
| Date of the Second Court Hearing at which the Court considers approval of the Scheme | Friday, 20 May 2022 |
| Last time and date by which the Sale Facility Form must be received by Tabcorp Share Registry (for Small Shareholders) | Monday, 23 May 2022 5:00pm (Sydney time) |
| Effective Date and last day of trading in Tabcorp Shares cum-Demerger Entitlement on ASX | Monday, 23 May 2022 |
| ASX listing of The Lottery Corporation; The Lottery Corporation Shares commence trading on ASX on a deferred settlement basis New Tabcorp Shares commence trading on ASX on an ex-Demerger Entitlements basis | Tuesday, 24 May 2022 |
| Record Date for determining entitlements to Demerger Entitlements and The Lottery Corporation Shares | Wednesday, 25 May 2022 7:00pm (Sydney time) |
| Implementation Date and transfer of The Lottery Corporation Shares to Eligible Shareholders | Wednesday, 1 June 2022 |
| The Lottery Corporation Shares commence trading on a normal settlement basis on ASX | Thursday, 2 June 2022 |
| Despatch of holding statements for The Lottery Corporation Shares to Eligible Shareholders | Friday, 3 June 2022 |

Other than in relation to the date of the First Court Hearing, this Timetable is indicative only and, amongst other things, is subject to the time at which the conditions precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and regulatory approvals. Tabcorp has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required. Any variation to the Timetable set out above will be announced to ASX and notified on Tabcorp's website (www.tabcorp.com.au).

WHAT YOU NEED TO DO

STEP 1

Carefully read this Demerger Booklet

You should read this Demerger Booklet and the Notices of Meeting in full, including the advantages, disadvantages and risks of the Demerger as set out in Section 2, before making any decision on how to vote on the Demerger Resolutions.

There are answers to questions you may have about the Demerger in Section 1 – Frequently Asked Questions.

If you have any additional questions in relation to this document or the Demerger, please call the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time).

STEP 2

Vote on the Demerger Resolutions

Tabcorp Shareholders who are registered on the Tabcorp Share Register as at 7:00pm (Sydney time) on Tuesday, 10 May 2022 are entitled to vote to determine whether or not the Capital Reduction and/or the Scheme proceeds, subject to certain other conditions.

Tabcorp Shareholders can vote:

- in person, by attending the General Meeting and/or the Scheme Meeting;
- by lodging a proxy online at www.linkmarketservices.com.au. To submit your proxy voting instructions you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and allocated Control Number, as shown on your Proxy Form;
- by mailing the General Meeting Proxy Form and/or the Scheme Meeting Proxy Form to Tabcorp Holdings Limited c/- Link Market Services Limited, Locked Bag A14, Sydney South, New South Wales 1235, Australia (using the envelope provided);
- by faxing the General Meeting Proxy Form and/or the Scheme Meeting Proxy Form to +61 2 9287 0309; or
- by hand delivering the General Meeting Proxy Form and/or the Scheme Meeting Proxy Form to the Tabcorp Share Registry at Level 12, 680 George Street, Sydney NSW 2000.

To be valid, your proxy must be received by the Tabcorp Share Registry by 7:00pm (Sydney time) on Tuesday, 10 May 2022.

STEP 3

If you are a Small Shareholder, choose whether to participate in the Sale Facilities

Small Shareholders may elect to have sold by the Sale Agent using the Sale Facilities:

- if they hold 500 Tabcorp Shares or less as at the Record Date, all The Lottery Corporation Shares that they would otherwise receive under the Scheme; and/or
- if they hold 2,000 Tabcorp Shares or less as at the Record Date, all those Tabcorp Shares that they would otherwise hold following the Demerger.

The proceeds from the sales will be remitted to Small Shareholders, free of any brokerage costs or stamp duty.

Small Shareholders who wish to participate in one or both of the Sale Facilities should submit their election online at www.tabcorp.com.au/investors/demerger or complete and return the Sale Facility Form using the enclosed envelope so that it is received by the Tabcorp Share Registry by 5:00pm (Sydney time) on Monday, 23 May 2022.

Section 1

Frequently Asked Questions



This section answers some frequently asked questions about the Demerger. It is not intended to address all relevant issues for Tabcorp Shareholders. This section should be read together with all other parts of this Demerger Booklet.

| Question | Answer | Further Information |
|---|---|---------------------|
| Demerger Proposal | | |
| 1. What is the Demerger? | <p>The Demerger is the proposed separation of Tabcorp's Lotteries and Keno business from its Wagering and Media and Gaming Services businesses, to create two separate ASX-listed gambling entertainment companies.</p> <p>The Demerger is proposed to occur by way of the Demerger Scheme, Capital Reduction and Dividend. If the Demerger is approved and implemented, Eligible Shareholders (who are not Selling Shareholders or Ineligible Overseas Shareholders) will retain their Tabcorp Shares and receive one The Lottery Corporation Share for every Tabcorp Share held at the Record Date.</p> | Section 2.1 |
| 2. Why has the Tabcorp Board proposed the Demerger? | <p>The Board's decision to pursue the Demerger of The Lottery Corporation follows the strategic review it conducted from March 2021 to July 2021. The review assessed and evaluated all structural and ownership options to maximise the value of Tabcorp's businesses for the benefit of shareholders. This included an assessment of several unsolicited, non-binding and indicative acquisition proposals for the Wagering and Media business, with one proposal also including the Gaming Services business.</p> <p>The Tabcorp Board is of the view that the advantages of the Demerger outweigh the disadvantages and risks, and prefers the Demerger on the basis that it represents the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp Shareholders.</p> | Section 2.1 |
| 3. What alternatives did the Tabcorp Board consider? | <p>As part of its strategic review, the Tabcorp Board assessed a number of strategic options, including maintaining the status quo and other potential options such as a divestment of the Wagering and Media and Gaming Services businesses.</p> <p>The Demerger is expected to deliver greater value to shareholders than the other options considered, and will provide more certainty (with lower regulatory impediments) to shareholders than a divestment of the Wagering and Media and Gaming Services businesses.</p> <p>The Board has assessed the merits of a sale of the Wagering and Media and Gaming Services businesses as a whole, having received several unsolicited, non-binding and indicative proposals to acquire the Wagering and Media business, with one proposal also including the Gaming Services business, and having engaged with bidders on the Wagering and Media business as described in Section 2.1. Various complex legislative, regulatory, competition, racing industry and other third party approvals would be required to effect any potential sale of the Wagering and Media business. The process for, and likelihood of, obtaining such approvals would be uncertain and would be expected to take an extended period of time, compared to the relative certainty that the Demerger can deliver.</p> | Section 2.1 |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|---|--|--|
| Demerger Proposal | | |
| 4. What is The Lottery Corporation? | <p>The Lottery Corporation is Australia's leading lottery and Keno operator with a portfolio of high-profile, recognised brands and games, with 742 expected employees as at 14 February 2022.</p> <p>The Lottery Corporation holds exclusive and/or long-dated lottery licences and approvals to operate in all Australian States and Territories (excluding Western Australia), with a distribution network of 3,863 lottery outlets (as at 31 December 2021) as well as its digital platforms.</p> <p>The Lottery Corporation is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (including digital approvals in the Australian Capital Territory and Victoria). Keno can be played in 3,409 venues (as at 31 December 2021) as well as online.</p> | Section 3 |
| 5. Is New Tabcorp retaining a shareholding in The Lottery Corporation? | No, New Tabcorp will not retain any ownership interest in The Lottery Corporation Shares following the Demerger. | n/a |
| Recommendation | | |
| 6. What is the recommendation of the Tabcorp Directors? | <p>The Tabcorp Directors unanimously recommend that you vote in favour of the Demerger Resolutions at the General Meeting and the Scheme Meeting¹.</p> <p>Each Tabcorp Director intends to vote all Tabcorp Shares held by or on behalf of that director in favour of the Demerger Resolutions.</p> | Section 2.1 |
| 7. What is the Independent Expert's opinion of the Demerger? | <p>The Independent Expert has concluded that the Demerger is in the best interests of Tabcorp Shareholders.</p> <p>The Independent Expert has also concluded that the Capital Reduction does not materially prejudice Tabcorp's ability to pay its existing creditors.</p> <p>A copy of the Independent Expert's Report is contained in Annexure A – Independent Expert's Report.</p> | Annexure A – Independent Expert's Report |
| Advantages, disadvantages and risks of the Demerger | | |
| 8. What are the advantages associated with the Demerger? | <p>The key advantages of the Demerger include:</p> <ul style="list-style-type: none"> • after the Demerger is implemented, The Lottery Corporation and New Tabcorp will be two independent businesses with separate Boards and focused ELTs and capital structures; • the Demerger is expected to enable each of The Lottery Corporation and New Tabcorp to pursue independent growth strategies and initiatives which are more focused on their individual businesses; • the Demerger will allow current shareholders to have greater investment choice and flexibility, and has the potential to attract new shareholders who may prefer to invest in either Lotteries and Keno, or Wagering and Media and Gaming Services, but not both; and • the Demerger will enable direct market valuations for each of The Lottery Corporation and New Tabcorp to be established. | Section 2.2 |

¹ This includes the recommendation of Mr David Attenborough, the current Tabcorp MD & CEO, who will cease employment if the Demerger proceeds and will receive certain entitlements as a consequence (see footnote 2 and Section 7.1.5).

| Question | Answer | Further Information |
|--|--|---------------------|
| Advantages, disadvantages and risks of the Demerger | | |
| 9. What are the disadvantages associated with the Demerger? | <p>The key disadvantages of the Demerger include:</p> <ul style="list-style-type: none"> there is expected to be approximately \$270 million in one-off cash transaction and implementation costs (on a pre-tax basis) associated with the Demerger. Approximately \$70 million of these costs are expected to be incurred up to the time of the Meetings², with the remaining \$200 million of costs expected to be incurred after the Meetings; as a result of the Demerger, The Lottery Corporation is expected to incur approximately \$9 million p.a. of ongoing incremental cash corporate and operating costs on a pre-tax basis (including costs associated with ongoing ASX listing and compliance, governance, share registry, insurance, maintaining a separate Board and company secretariat, technology, field services and other corporate functions). New Tabcorp is also expected to incur approximately \$23 million p.a. of ongoing incremental cash corporate and operating costs on a pre-tax basis (associated with certain corporate services and internal management systems that have previously been partially allocated to The Lottery Corporation)³; the Demerger will create two separate companies, each of which will be smaller and less diversified than Tabcorp prior to the Demerger, and may have lower market capitalisations and index rankings than Tabcorp prior to the Demerger; after the Demerger is implemented, The Lottery Corporation and New Tabcorp are unlikely to have the same credit profile or cost of borrowing as Tabcorp prior to the Demerger, and will need to rely on their new balance sheet and ongoing performance to access capital; and some shareholders in certain overseas jurisdictions will not be eligible to receive The Lottery Corporation Shares, and some shareholders under certain investment mandates or other similar reasons may not be able to retain The Lottery Corporation or New Tabcorp Shares post Demerger. | Section 2.3 |
| 10. What are the potential risks associated with the implementation of the Demerger? | <p>There are several key risks to the implementation of the Demerger which include:</p> <ul style="list-style-type: none"> the potential for delays, unexpected costs or other issues in establishing The Lottery Corporation as a standalone entity with its own standalone support functions and services; the potential that the approvals and consents from regulatory bodies, governments, suppliers and third parties that are required for the Demerger to be implemented will (i) not be provided, (ii) be provided with delays, or (iii) be provided subject to conditions which may not be acceptable to Tabcorp; and that the Court may not approve the Demerger or that the approval of the Court may be delayed. | Section 2.4 |
| 11. What are the potential risks to the performance of The Lottery Corporation and New Tabcorp post the Demerger? | <p>There are several key risks to the performance of the demerged entities post Demerger which include:</p> <ul style="list-style-type: none"> that the highlighted advantages of the Demerger may not materialise; and uncertainty about the combined market value of The Lottery Corporation Shares and New Tabcorp Shares after the Demerger, relative to Tabcorp Shares prior to the Demerger. | Section 2.4 |

² Of the \$70 million of costs expected to be incurred up to the time of the Meetings, approximately \$53 million is expected to have been paid.

³ It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA. See Section 2.3.2 for more information.

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|---|---|---------------------|
| Advantages, disadvantages and risks of the Demerger | | |
| 12. What are the potential risks associated with an investment in The Lottery Corporation? | <p>The Lottery Corporation will be subject to risks which may adversely affect the future operating or financial performance or prospects of The Lottery Corporation, and the investment returns or value of The Lottery Corporation Shares. Some of these risks may be mitigated by appropriate controls, systems and other actions, but others will be outside the control of The Lottery Corporation.</p> <p>Many of these are risks to which shareholders are currently exposed, while others arise as a result of The Lottery Corporation becoming a standalone ASX-listed entity independent from New Tabcorp.</p> <p>Potential risks include the continued impact of COVID-19; strategic risks such as increased competition and changes in consumer discretionary spending and preferences; legal, regulatory and compliance risks including risks associated with licences and other approvals; operational risks such as jackpot sequencing and technology, cybersecurity, data protection and privacy risks; as well as financial and balance sheet risks. These risks and other risks, as well as risk mitigations in place, are described in Section 3.14.</p> | Section 3.14 |
| 13. What are the potential risks associated with a continued investment in New Tabcorp? | <p>New Tabcorp will be subject to risks which may adversely affect the future operating or financial performance or prospects of New Tabcorp, and the investment returns or value of New Tabcorp Shares. Some of these risks may be mitigated by appropriate controls, systems and other actions, but others will be outside the control of New Tabcorp.</p> <p>Many of these are risks to which shareholders are currently exposed, while others arise as a result of The Lottery Corporation becoming a standalone ASX-listed entity independent from New Tabcorp.</p> <p>Potential risks include the continued impact of COVID-19; strategic risks such as increased competition and changes in consumer discretionary spending and preferences; legal, regulatory and compliance risks including risks associated with licences and other approvals, and acquisitions and divestments; operational risks such as technology, cybersecurity, data protection and privacy risks; as well as financial and balance sheet risks including funding risks. These risks and other risks, as well as risk mitigations in place, are described in Section 4.12.</p> | Section 4.12 |
| The Lottery Corporation | | |
| 14. When will The Lottery Corporation Shares trade separately on ASX? | <p>The Lottery Corporation Shares (ASX: TLC) are expected to commence trading on ASX on Tuesday, 24 May 2022, initially on a deferred settlement basis.</p> <p>It is each shareholder's responsibility to confirm their entitlement to The Lottery Corporation Shares before trading in The Lottery Corporation Shares, especially during the deferred settlement period.</p> <p>Trading on ASX of The Lottery Corporation Shares on a normal settlement basis is expected to commence on Thursday, 2 June 2022.</p> | n/a |
| 15. What will be The Lottery Corporation's share price? | There is no certainty as to the price of The Lottery Corporation Shares after the Demerger is implemented. | Section 2.4.1 |

| Question | Answer | Further Information |
|--|---|---------------------|
| The Lottery Corporation | | |
| 16. In which stock market index will The Lottery Corporation be eligible for inclusion? | <p>Upon implementation of the Demerger, it is currently anticipated that The Lottery Corporation will be eligible for inclusion within the S&P/ASX 100 index based on its estimated free float adjusted market capitalisation. It is uncertain whether The Lottery Corporation will also be eligible for inclusion within the S&P/ASX 50 index.</p> <p>Given that index inclusion depends on a number of factors, including the trading performance of The Lottery Corporation following the Demerger, no assurances can be made regarding The Lottery Corporation's potential index inclusion following the Demerger or in the future.</p> | Section 2.3.3 |
| 17. What will be The Lottery Corporation's strategy after the Demerger? | <p>The Lottery Corporation's management, in conjunction with its new Board, is continuing to develop The Lottery Corporation strategy. The new strategy framework will focus on, amongst other things:</p> <ul style="list-style-type: none"> • innovating the game portfolio; • enhancing the customer experience; • increasing digital penetration as part of the omni-channel strategy; • evolving the retail footprint through targeted growth in selected channels; • pursuing new licence and acquisition opportunities; • maintaining strong industry and regulatory engagement; and • further building on community contribution. <p>The future strategy of The Lottery Corporation will ultimately be a matter for The Lottery Corporation Board and ELT to develop over time and is subject to change.</p> | Section 3.6 |
| 18. Who will be The Lottery Corporation's Directors after the Demerger? | <p>If the Demerger proceeds, The Lottery Corporation Board will initially comprise on Demerger:</p> <ul style="list-style-type: none"> • Steven Gregg – Chairman and Non-Executive Director; • Sue van der Merwe – Managing Director and Chief Executive Officer; • Harry Boon – Non-Executive Director; and • Anne Brennan – Non-Executive Director. <p>Subject to regulatory and ministerial consents, it is intended that Doug McTaggart and John O'Sullivan will also be appointed as Non-Executive Directors of The Lottery Corporation following the Demerger. It is intended that Dr McTaggart and Mr O'Sullivan will be observers to the Board until all necessary consents are obtained.</p> | Section 3.7.1 |
| 19. Who will be The Lottery Corporation's ELT after the Demerger? | <p>If the Demerger proceeds, The Lottery Corporation's ELT will comprise:</p> <ul style="list-style-type: none"> • Sue van der Merwe – Managing Director and Chief Executive Officer; • Loren Fisher – Chief Information Officer; • Patrick McGlinchey – Chief Legal & Risk Officer and Co-Company Secretary; • Antony Moore – Chief Channel Officer; • Callum Mulvihill – Chief Commercial Operations Officer; • Adam Newman – Chief Financial Officer; • Andrew Shepherd – Chief Customer & Marketing Officer; and • Michelle Williams – Chief People Officer. | Section 3.7.2 |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|--|--|---------------------|
| The Lottery Corporation | | |
| 20. What will be The Lottery Corporation's capital structure and credit rating? | <p>After the Demerger, The Lottery Corporation currently intends to target Net Debt to EBITDA⁴ of 3.5x to 4.0x. The Lottery Corporation intends to hold a public credit rating at the time of the Demerger, and currently intends to target a strong BBB investment grade credit rating.</p> <p>At the time the Demerger is implemented, The Lottery Corporation will have committed bank facilities with an initial facility limit of \$950 million as well as all existing US Private Placement notes (USPP notes).</p> <p>It is currently anticipated that The Lottery Corporation will have opening Net Debt in the range of \$2.1 billion to \$2.3 billion (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date.</p> <p>The Lottery Corporation will only have ordinary shares on issue and no other equity securities at the time of the Demerger.</p> | Section 3.12 |
| 21. What will be The Lottery Corporation's dividend policy? | <p>The Lottery Corporation's dividend policy will be determined by The Lottery Corporation Board at its discretion and may change over time.</p> <p>The Lottery Corporation Board initially intends to target a dividend payout ratio of 70% to 90% of net profit after tax excluding significant items. This dividend policy has regard to The Lottery Corporation's earnings and cash flow generation as well as expected capital and investment requirements.</p> <p>The Lottery Corporation currently intends to frank its dividends to the extent practicable. No assurance can be given in relation to the level of future dividends or the franking of such dividends, as these will depend on future events and circumstances, including business performance. The extent to which a dividend can be franked will depend on The Lottery Corporation's franking account balance which will depend on the amount of Australian income tax paid by The Lottery Corporation after the Demerger. The Lottery Corporation's franking account balance will be nil immediately following the Demerger.</p> | Section 3.12 |
| 22. Will The Lottery Corporation Shareholders be entitled to a FY22 final dividend? | <p>To assist in providing a tax efficient distribution to shareholders of the Tabcorp Group's FY22 final dividend, it is currently anticipated that New Tabcorp will pay a final FY22 dividend in or around September 2022 with reference to the five months of The Lottery Corporation earnings prior to the Demerger in addition to the 2H22 earnings of New Tabcorp, noting that the payment of any dividend will be subject to law, business performance, and all necessary Board approvals. In order to receive this dividend, you must be a shareholder of New Tabcorp as at the dividend record date, which is anticipated to be in or around September 2022.</p> <p>It is currently expected that any FY22 final dividend to be paid by New Tabcorp will be determined in accordance with the target dividend payout ratio of Tabcorp as at the date of this Demerger Booklet (being 70% to 80% of net profit after tax excluding significant items, on an annual basis).</p> <p>Subject to law, business performance and all necessary Board approvals, The Lottery Corporation currently anticipates that it is likely to pay its first dividend in or around March 2023, which will be an interim dividend for 1H23, with reference to the seven months of earnings post Demerger.</p> <p>The proposed dates set out above are subject to change. Payment of any dividend is subject to relevant Board approval, and the key dates for each dividend will be confirmed to the ASX at the appropriate time.</p> | Section 3.12 |

⁴ Net Debt to EBITDA metric based on EBITDA excluding impairment and significant items.

| Question | Answer | Further Information |
|---|--|-------------------------|
| The Lottery Corporation | | |
| 23. What commercial arrangements will The Lottery Corporation and New Tabcorp have with each other following the Demerger? | <p>Tabcorp and The Lottery Corporation have entered into a Transitional Services Agreement, which sets out the terms on which New Tabcorp will provide certain finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, customer screening, responsible gambling, transaction and fraud monitoring, information technology and other services to The Lottery Corporation directly for a transitional period with varying terms of up to 14 months following the Demerger, pending migration or successful independent duplication of those services by The Lottery Corporation. The majority of the transitional services relate to information technology and related services.</p> <p>Tabcorp and The Lottery Corporation have also entered into:</p> <ul style="list-style-type: none"> • a Restructure Agreement; • a Separation Deed; • a Services Agreement under which New Tabcorp will provide technical and customer support services (including call centre services) to The Lottery Corporation in support of its Keno operations; and • an arm's length agreement under which New Tabcorp will continue to provide certain field services to The Lottery Corporation in support of its Lotteries and Keno operations. | Section 7.7.5 and 7.7.6 |
| 24. When will The Lottery Corporation release its first results as a standalone company? | The Lottery Corporation is expected to release its results for the period to 30 June 2022 by the end of August 2022. | n/a |
| New Tabcorp | | |
| 25. What will be New Tabcorp's share price after the Demerger? | There is no certainty as to the price of New Tabcorp Shares after the Demerger is implemented. | Section 2.4.1 |
| 26. In which stock market index will New Tabcorp be eligible for inclusion? | <p>Upon implementation of the Demerger, it is currently anticipated that New Tabcorp will subsequently cease to be eligible for inclusion in the S&P/ASX 50 index, based on its estimated free float adjusted market capitalisation. Whilst it is currently anticipated that New Tabcorp will remain a constituent of the S&P/ASX 200 index, it is uncertain whether New Tabcorp will also remain a constituent of the S&P/ASX 100 index.</p> <p>Given that index inclusion depends on a number of factors, including the trading performance of New Tabcorp following the Demerger, no assurances can be made regarding New Tabcorp's potential index inclusion following the Demerger or in the future.</p> | Section 2.3.3 |
| 27. What will New Tabcorp look like? | After the Demerger, New Tabcorp will continue to be a multi-branded, diversified wagering, media and gaming services operator with national scale and reach, providing wagering across 4,257 retail venues, racing and sports vision across 4,790 venues and gaming services across 3,955 venues (as at 31 December 2021) as well as across its digital platforms. | Section 4 |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|--|---|---------------------|
| New Tabcorp | | |
| 28. What will be New Tabcorp's strategy? | <p>New Tabcorp's management, in conjunction with its new Board, is continuing to develop the New Tabcorp strategy. The new strategy framework will focus on, amongst other things:</p> <ul style="list-style-type: none"> • delivering compelling customer experiences; • addressing structural sustainability; • innovation and growth; and • delivering efficiencies. <p>The future strategy of New Tabcorp will ultimately be a matter for the New Tabcorp Board and ELT to develop over time and is subject to change.</p> | Section 4.6 |
| 29. Who will be New Tabcorp's Directors? | <p>If the Demerger proceeds, the New Tabcorp Board will initially comprise on Demerger:</p> <ul style="list-style-type: none"> • Bruce Akhurst – Chairman and Non-Executive Director; • Adam Rytenskild – Managing Director and Chief Executive Officer; • David Gallop AM – Non-Executive Director; • Janette Kendall – Non-Executive Director; and • Justin Milne – Non-Executive Director. <p>Subject to regulatory and ministerial consents, it is intended that Brett Chenoweth, Raelene Murphy and Karen Stocks will also be appointed as Non-Executive Directors of New Tabcorp following the Demerger. It is intended that Mr Chenoweth, Ms Murphy and Ms Stocks will be observers to the Board until all necessary consents are obtained.</p> | Section 4.7.1 |
| 30. Who will be New Tabcorp's ELT? | <p>If the Demerger proceeds, New Tabcorp's ELT will comprise:</p> <ul style="list-style-type: none"> • Adam Rytenskild – Managing Director and Chief Executive Officer; • Jenni Barnett – Chief Customer Officer; • Sharon Broadley – Chief People Officer; • Tom Callachor – Chief Industry & Corporate Affairs Officer; • Paul Carew – Chief Operating Officer (Gaming Services); • John Fitzgerald – Chief Legal & Risk Officer; • Dan Renshaw – Chief Financial Officer; • Rebecca Riant – Chief Operating Officer (Wagering and Media); • Alan Sharvin – Chief Information Officer; and • Angus Tiet – Chief Strategy & Ventures Officer. | Section 4.7.2 |
| 31. What will be the impact of the Demerger on New Tabcorp's capital structure and credit rating? | <p>After the Demerger, New Tabcorp currently intends to target Net Debt to EBITDA⁵ of 1.0x to 1.5x; however, it may seek to exceed this range to fund certain future potential growth opportunities. New Tabcorp currently does not intend to hold a public credit rating at the time of the Demerger.</p> <p>At the time the Demerger is implemented, New Tabcorp will have committed bank facilities with an initial facility limit of \$950 million.</p> <p>It is currently anticipated that New Tabcorp will have opening Net Debt of less than \$100 million (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date.</p> | Section 4.10 |

⁵ Net Debt to EBITDA metric based on EBITDA excluding impairment and significant items.

| Question | Answer | Further Information |
|--|--|--------------------------|
| New Tabcorp | | |
| 32. What will be the impact of the Demerger on New Tabcorp's dividends? | <p>After the Demerger, New Tabcorp's dividend policy will be determined by the New Tabcorp Board at its discretion and may change over time.</p> <p>It is currently expected that any FY22 final dividend to be paid by New Tabcorp will be determined in accordance with the target dividend payout ratio of Tabcorp as at the date of this Demerger Booklet (being 70% to 80% of net profit after tax excluding significant items, on an annual basis).</p> <p>Following this, the New Tabcorp Board initially intends to target a dividend payout ratio of 50% to 70% of net profit after tax excluding significant items. This dividend policy has regard to New Tabcorp's earnings and cash flow generation as well as expected capital and investment requirements.</p> <p>New Tabcorp currently intends to frank its dividends to the extent practicable. No assurance can be given in relation to the level of future dividends or the franking of such dividends, as these will depend on future events and circumstances, including business performance. The extent to which a dividend can be franked will depend on New Tabcorp's franking account balance which will depend on the amount of Australian income tax paid by New Tabcorp after the Demerger. It is currently anticipated that New Tabcorp's franking account balance will be in the range of approximately \$175-190 million immediately following the Demerger.</p> | Section 4.10 |
| 33. Will New Tabcorp Shareholders be entitled to a FY22 final dividend? | <p>To assist in providing a tax efficient distribution to shareholders of the Tabcorp Group's FY22 final dividend, it is currently anticipated that New Tabcorp will pay a final FY22 dividend in or around September 2022 with reference to the five months of The Lottery Corporation earnings prior to the Demerger in addition to the 2H22 earnings of New Tabcorp, noting that the payment of any dividend will be subject to law, business performance and all necessary Board approvals.</p> <p>In order to receive this dividend, you must be a shareholder of New Tabcorp as at the dividend record date, which is anticipated to be in or around September 2022.</p> <p>The proposed dates set out above are subject to change. Payment of any dividend is subject to relevant Board approval, and the key dates for the FY22 final dividend will be confirmed to the ASX at the appropriate time. It is currently expected that any FY22 final dividend to be paid by New Tabcorp will be determined in accordance with the target dividend payout ratio of Tabcorp as at the date of this Demerger Booklet (being 70% to 80% of net profit after tax excluding significant items, on an annual basis).</p> | Section 4.10 |
| 34. What impact will the Demerger have on the Tabcorp USPP notes? | All Tabcorp USPP notes outstanding at the Implementation Date will be cancelled and equivalent notes will be issued by The Lottery Corporation to existing note holders so that only The Lottery Corporation will have exposure to these notes following the Demerger. | Section 3.12 and 5.1.2.2 |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|---|---|-------------------------------|
| Demerger process | | |
| 35. What are the key steps involved in the Demerger? | <p>At the First Court Hearing on 30 March 2022, Tabcorp obtained an order from the Court to convene the Scheme Meeting.</p> <p>The key remaining steps to implement the Demerger are:</p> <ul style="list-style-type: none"> • approval of the Capital Reduction (and associated matters) by Tabcorp Shareholders at the General Meeting; • approval of the Scheme by Tabcorp Shareholders at the Scheme Meeting; • Court approval of the Scheme at the Second Court Hearing; • lodgement of the Court order with ASIC which will cause the Scheme to become Effective; • completion of the Corporate Restructure; • approval of admission of The Lottery Corporation to the Official List of the ASX and the official quotation of The Lottery Corporation Shares by the ASX; and • Eligible Shareholders (other than Selling Shareholders) receiving The Lottery Corporation Shares by way of the implementation of the Scheme. <p>If the Court approves the Scheme, The Lottery Corporation Shares are expected to trade separately on the ASX from 24 May 2022, initially on a deferred settlement basis.</p> <p>Trading on the ASX of The Lottery Corporation Shares on a normal settlement basis is expected to commence on 2 June 2022.</p> | Section 5.1, 5.2 and 5.3 |
| 36. What is the Capital Reduction? | <p>Tabcorp has proposed the Capital Reduction to permit Tabcorp to reduce its share capital on the Implementation Date. The Capital Reduction Amount will not be paid in cash to Tabcorp Shareholders. The Capital Reduction Amount will be applied (together with the Dividend Amount) on behalf of Tabcorp Shareholders as consideration for the transfer of The Lottery Corporation Shares under the Scheme.</p> <p>The Capital Reduction is conditional on the Scheme becoming Effective. This means that Tabcorp will not undertake the Capital Reduction unless the Scheme becomes Effective (see question 47 on the voting thresholds for the Scheme). The Capital Reduction must be approved by a simple majority (more than 50%) of votes cast by Tabcorp Shareholders on the Capital Reduction Resolution.</p> <p>Tabcorp is of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Tabcorp Shareholders as a whole and will not materially prejudice the ability of Tabcorp to pay its creditors.</p> <p>The Independent Expert has concluded that the Capital Reduction does not materially prejudice the ability of Tabcorp to pay its existing creditors.</p> | Section 5.2.1, 5.2.5 and 14.9 |

| Question | Answer | Further Information |
|---|---|-------------------------|
| Demerger process | | |
| 37. Is the Demerger subject to any conditions? | <p>The Demerger is subject to the satisfaction or waiver of certain conditions including:</p> <ul style="list-style-type: none"> the requisite majority of Tabcorp Shareholders approving the Capital Reduction Resolution at the General Meeting; the requisite majorities of Tabcorp Shareholders approving the Scheme at the Scheme Meeting; all regulatory approvals required for the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to Tabcorp); the Court approving the Scheme and a copy of the order of the Court being lodged with ASIC; and the ASX approving the admission of The Lottery Corporation to the ASX Official List and granting permission for official quotation of The Lottery Corporation Shares on the ASX. | Section 5.1.1 |
| 38. What will Tabcorp Shareholders receive if the Demerger proceeds? | Eligible Shareholders (other than Selling Shareholders and Ineligible Overseas Shareholders) will receive one The Lottery Corporation Share for every Tabcorp Share they hold at the Record Date. The Record Date is expected to be Wednesday, 25 May 2022. | Section 5.2.5 |
| 39. What is the impact of the Demerger on the number of Tabcorp Shares I hold? | <p>The number of Tabcorp Shares will not change as a result of the Demerger.</p> <p>In addition to the Tabcorp Shares you hold, if you are an Eligible Shareholder (other than a Selling Shareholder) and the Demerger proceeds, you will hold one The Lottery Corporation Share for every Tabcorp Share held.</p> | Section 5.2.5 and 5.3.1 |
| 40. Which Tabcorp Shareholders are eligible to participate in the Demerger? | <p>Tabcorp Shareholders registered on the Tabcorp Share Register as the holders of Tabcorp Shares at the Record Date will be eligible to receive The Lottery Corporation Shares, but conditional on the location of their registered address.</p> <p>Tabcorp Shareholders whose registered address on the Tabcorp Share Register as at the Record Date is in the following jurisdictions will be Eligible Shareholders:</p> <ul style="list-style-type: none"> Australia, New Zealand, Canada, Hong Kong, Singapore, the United Kingdom or the United States; or any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation Shares to a Tabcorp Shareholder with a registered address in such jurisdiction. <p>Ineligible Overseas Shareholders, being Tabcorp Shareholders whose registered address on the Tabcorp Share Register as at the Record Date is outside the jurisdictions listed above, will not receive The Lottery Corporation Shares.</p> | Section 5.4 |
| 41. Will I need to make any payments to participate in the Demerger? | No. The Capital Reduction Amount and Dividend Amount on your Tabcorp Shares will be automatically applied on your behalf under the Scheme to pay for The Lottery Corporation Shares. You do not need to make any separate payment. | Section 5.2.1 and 5.2.5 |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|--|---|-----------------------|
| Demerger process | | |
| 42. Can I choose to receive cash instead of The Lottery Corporation Shares? | <p>No. Under the Demerger, you may not elect to receive cash instead of The Lottery Corporation Shares.</p> <p>However, if you are an Ineligible Overseas Shareholder, The Lottery Corporation Shares to which you would have been otherwise entitled under the Scheme will be sold on the ASX by the Sale Agent with the proceeds remitted to you, free of any brokerage costs.</p> <p>In addition, Eligible Shareholders who will hold less than 500 Tabcorp Shares as at the Record Date may elect to have all The Lottery Corporation Shares that they would otherwise receive under the Scheme sold on the ASX by the Sale Agent and the proceeds remitted to them, free of any brokerage costs. Eligible Shareholders who do not make a valid election to participate in the Sale Facilities will receive The Lottery Corporation Shares.</p> <p>The amount of money received by each Ineligible Overseas Shareholder and Selling Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders and Selling Shareholders will receive the same price per The Lottery Corporation Share, subject to rounding to the nearest whole cent.</p> | Section 5.6 |
| 43. Can I sell my Tabcorp Shares and/or The Lottery Corporation Shares? | <p>You may sell your Tabcorp Shares at any time on the ASX.</p> <p>Small Shareholders</p> <p>Small Shareholders will have the option to have sold on the ASX by the Sale Agent all their Tabcorp Shares and/or The Lottery Corporation Shares, free of any brokerage costs, under the Sale Facilities.</p> <p>If you are a Small Shareholder and you wish to participate in the Sale Facilities, you should submit your election online at www.tabcorp.com.au/investors/demerger or complete and return the Sale Facility Form accompanying this Demerger Booklet using the envelope provided.</p> <p>The Sale Facilities operate on an opt-in basis for Small Shareholders.</p> <p>Ineligible Overseas Shareholders</p> <p>Ineligible Overseas Shareholders will have their The Lottery Corporation Shares sold through the Sale Facilities, with the proceeds (calculated on an averaged basis) from the sale of The Lottery Corporation Shares to which they are entitled, remitted to them, free of any brokerage costs or stamp duty.</p> <p>Accordingly, in respect of their The Lottery Corporation Shares, Ineligible Overseas Shareholders do not need to take any steps to participate in the Sale Facilities.</p> | Section 5.6 |
| 44. What are the costs of the Demerger? | <p>One-off cash transaction and implementation costs associated with the Demerger are estimated to be approximately \$270 million (on a pre-tax basis). Approximately \$70 million of these costs are expected to be incurred up to the time of the Meetings⁶, with the remaining \$200 million of costs expected to be incurred after the Meetings.</p> | Section 2.3.1 and 7.6 |

⁶ Of the \$70 million of costs expected to be incurred up to the time of the Meetings, approximately \$53 million is expected to have been paid.

| Question | Answer | Further Information |
|---|--|---------------------------------|
| Demerger process | | |
| 45. What additional ongoing costs will the separate entities have as standalone companies? | <p>As a result of the Demerger, The Lottery Corporation is expected to incur approximately \$9 million p.a. (pre-tax) of ongoing incremental cash corporate and operating costs as a standalone company. These incremental costs include costs associated with ongoing ASX listing and compliance, governance, share registry, insurance, maintaining a separate Board, technology and field services.</p> <p>New Tabcorp is also expected to incur approximately \$23 million p.a. (pre-tax) of ongoing incremental cash corporate and operating costs, associated with certain corporate services and internal management systems that have previously been partially allocated to The Lottery Corporation⁷.</p> | Section 2.3.2 |
| 46. What happens if the Demerger does not proceed? | <p>If the Demerger does not proceed:</p> <ul style="list-style-type: none"> • The Lottery Corporation will continue to operate as part of the Tabcorp Group; • Eligible Shareholders will not receive The Lottery Corporation Shares; • Tabcorp Shareholders will retain their existing holding in Tabcorp Shares; • Tabcorp will incur transaction costs of approximately \$70 million⁸; and • the advantages of the Demerger described in Section 2.2 will not be realised, and the disadvantages and risks of the Demerger described in Sections 2.3 and 2.4 will not arise. <p>If the Demerger does not proceed, Tabcorp Directors and ELT may consider alternatives for all businesses.</p> | Section 5.8 |
| Voting on the Demerger | | |
| 47. What are the voting thresholds? | <p>Capital Reduction</p> <p>The Capital Reduction must be approved by a simple majority (more than 50%) of votes cast by Tabcorp Shareholders on the Capital Reduction Resolution.</p> <p>Scheme</p> <p>The Scheme must be approved by:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy); and • at least 75% of the total number of votes cast on the resolution by Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy). | Section 5.2 |
| 48. Who can vote at the Meetings? | Tabcorp Shareholders who are registered on the Tabcorp Share Register as at 7:00pm (Sydney time) on 10 May 2022 are entitled to vote on the Capital Reduction Resolution and the Scheme Resolution which will occur by way of separate shareholder meetings. | Annexure E – Notices of Meeting |

⁷ It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA. See Section 2.3.2 for more information.

⁸ Of the \$70 million of costs expected to be incurred up to the time of the Meetings, approximately \$53 million is expected to have been paid.

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|---|--|---------------------------------|
| Voting on the Demerger | | |
| 49. When and where are the Meetings? | <p>General Meeting</p> <p>The General Meeting for Tabcorp Shareholders to vote on the Capital Reduction Resolution will be held at 10:00am (Sydney time) on Thursday, 12 May 2022 at the Amora Hotel Jamison Sydney, Whiteley Ballroom, 11 Jamison Street, Sydney NSW 2000 and virtually using an online meeting platform accessible at https://meetings.linkgroup.com/TAHGeneral22.</p> <p>Scheme Meeting</p> <p>The Scheme Meeting for Tabcorp Shareholders to vote on the Scheme Resolution will be held at 10:30am (Sydney time) on Thursday, 12 May 2022 or as soon after that time as the General Meeting has concluded or been adjourned at the Amora Hotel Jamison Sydney, Whiteley Ballroom, 11 Jamison Street, Sydney NSW 2000 and virtually using an online meeting platform accessible at https://meetings.linkgroup.com/TAHScheme22.</p> | Annexure E – Notices of Meeting |
| 50. How do I vote at the Meetings? | <p>Voting via the online meeting platform</p> <p>Due to the potential for restrictions on public gatherings imposed from time to time in response to the coronavirus pandemic (COVID-19), Tabcorp Shareholders are strongly encouraged to participate in the Meetings virtually via the online platform and to submit proxy forms and written questions in advance of the Meetings. Instructions on how to participate in the Meetings via the online platform, including how to vote and ask written and verbal questions, are set out in the Notices of Meeting and the Online Meeting Guide accessible at www.tabcorp.com.au/investors/demerger.</p> <p>Shareholders, proxyholders, attorneys and authorised corporate representatives will be able to vote in the Meetings in real time by logging in to the online meeting platform.</p> <p>By participating in the Meetings online, Tabcorp Shareholders (or their appointed proxies, attorneys or corporate representatives) will be able to:</p> <ul style="list-style-type: none"> • hear the meeting discussion and view presentation slides; • ask questions while the relevant meeting is progressing; and • vote during the relevant meeting. <p>Further details are set out in the Notices of Meeting.</p> | Annexure E – Notices of Meeting |

| Question | Answer | Further Information |
|--|--|---------------------|
| Voting on the Demerger | | |
| | <p><u>Voting in person</u></p> <p>While some Tabcorp Shareholders may be able to attend the Meetings physically, for the health and safety of all attendees, Tabcorp will be observing social distancing and any other government requirements that apply at the time. Attendance at the Meetings in person is subject to any COVID-19 restrictions that may be applicable on the day.</p> <p>If you are attending as an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by the Tabcorp Share Registry – Link Market Services Limited – by 7:00pm (Sydney time) on 10 May 2022 (unless it has been previously provided). If you are attending as a corporate representative, Tabcorp requires written proof of your appointment as corporate representative to be lodged with, or presented to, Tabcorp before the relevant General Meeting or Scheme Meeting.</p> <p>In the lead-up to the Meetings, Tabcorp will be closely monitoring the COVID-19 situation in Sydney. If it becomes necessary or appropriate to make alternative or supplementary arrangements to hold the Meetings to those set out in the Notices of Meeting, Tabcorp Shareholders will be given as much notice as possible. Information relating to alternate arrangements will be communicated to shareholders by way of an announcement to the ASX and published on Tabcorp's website: www.tabcorp.com.au.</p> <p><u>Voting by proxy</u></p> <p>Tabcorp Shareholders who are entitled to attend and vote at the Meetings can appoint a proxy to participate in the Meetings and vote on their behalf.</p> <p>To appoint a proxy, you can lodge your proxy forms online at www.linkmarketservices.com.au (choose Tabcorp Holdings Limited from the drop-down menu, enter the holding details as shown on the proxy form, and follow the instructions provided to appoint a proxy). Alternatively, complete and return the General Meeting Proxy Form and the Scheme Meeting Proxy Form accompanying this Demerger Booklet by using the enclosed envelope, or by fax to +61 2 9287 0309. Proxy forms can also be hand delivered to the Tabcorp Share Registry at Level 12, 680 George Street, Sydney NSW 2000.</p> <p>If an attorney signs a proxy form on your behalf, the power of attorney under which the proxy is appointed, or a certified copy of that power of attorney, must be received by the Tabcorp Share Registry at the same time as the proxy form (unless you have already provided a copy of the authority to the Tabcorp Share Registry).</p> <p>If you complete and return a proxy form, you may still attend the Meetings in person or watch the Meetings using the online platform as a 'guest' and you will not revoke your proxy appointment. However, if you have appointed a proxy and participate in and vote at the Meetings by registering your holding, the authority of your proxy to participate and vote on your behalf will be automatically suspended.</p> | |
| 51. What if I do not vote at the Meetings or do not vote in favour of the Demerger Resolutions? | If Tabcorp Shareholders who support the Demerger do not vote, there is a risk the Demerger will not be approved. If you do not vote or vote against the Demerger Resolutions, but these resolutions are approved by the requisite majorities of Tabcorp Shareholders, then, subject to the other conditions to the Demerger being satisfied or waived, including Court approval, the Demerger will be implemented and binding on all Tabcorp Shareholders, including those who did not vote or voted against the Demerger Resolutions. | n/a |

FREQUENTLY ASKED QUESTIONS continued

| Question | Answer | Further Information |
|--|--|---------------------|
| Tax considerations | | |
| 52. What are the taxation implications of the Demerger? | <p>The general Australian taxation implications of the Demerger for Tabcorp Shareholders are set out in Section 6.</p> <p>The outline in Section 6 is general in nature and should not be relied upon as advice. The tax consequences for each shareholder may vary depending on individual circumstances. Accordingly, you are encouraged to seek your own professional advice as to the Australian and, if applicable, foreign tax implications of participating in the Demerger.</p> | Section 6 |
| Other information | | |
| 53. What if I have further questions? | <p>If you have any additional questions, you should:</p> <ul style="list-style-type: none"> • consult your financial, legal, taxation or other professional adviser; or • call the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time). <p>Further information can also be found on Tabcorp's website: www.tabcorp.com.au/investors/demerger.</p> | n/a |

Section 2

Overview of Demerger, advantages, disadvantages and risks

OVERVIEW OF DEMERGER, ADVANTAGES, DISADVANTAGES AND RISKS *continued*

2.1 Background and alternatives considered

The Demerger is the proposed separation of Tabcorp's Lotteries and Keno business (**The Lottery Corporation**) from its Wagering and Media and Gaming Services businesses (**New Tabcorp**), to create two separate and independent ASX-listed companies.

In March 2021, having spent time engaging with shareholders and relevant stakeholders, Tabcorp announced that it would undertake a strategic review to assess and evaluate all structural and ownership options to maximise the value of Tabcorp's businesses for the benefit of shareholders. Alternatives considered included maintaining the status quo, a divestment of the Wagering and Media and Gaming Services businesses, and a demerger of The Lottery Corporation.

As previously announced to the ASX, during the strategic review Tabcorp received several revised non-binding, unsolicited and indicative proposals in relation to the Wagering and Media business from Entain plc (**Entain**) and BetMakers Technology Group Ltd (**BetMakers**), and in relation to the Wagering and Media and Gaming Services businesses from Apollo Management on behalf of affiliated investment funds (**Apollo**).

In July 2021 at the conclusion of the strategic review, after carefully considering the revised proposals and providing preliminary due diligence to and/or engagement with Entain, Apollo and BetMakers in relation to the Wagering and Media business, the Tabcorp Board announced its decision to pursue a demerger of the Lotteries and Keno business, considering it to be the preferred option on the basis that it represents the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp Shareholders.

Various complex legislative¹, regulatory, competition², racing industry³ and other third party approvals would be required to effect any potential sale of the Wagering and Media business. The process for, and likelihood of, obtaining such approvals would be uncertain and would be expected to take an extended period of time, compared to the relative certainty that the Demerger can deliver.

The Demerger is expected to enhance Tabcorp Shareholder value, given that it will create two separately listed companies, with significantly different industry dynamics, business characteristics, financial profiles, growth strategies and investment opportunities. The Demerger also provides Tabcorp Shareholders the ability to retain an interest in the businesses and benefit from any further growth opportunities, as well as preserves shareholders' ability to benefit from participating in any future M&A activity.

Each Tabcorp Director recommends that Tabcorp Shareholders vote in favour of the Demerger Resolutions at the General Meeting and at the Scheme Meeting⁴.

Tabcorp Shareholders should carefully consider the advantages, disadvantages and risks of the Demerger described in this section, as well as the other information contained in this Demerger Booklet (including the potential risks associated with an investment in The Lottery Corporation Shares set out in Section 3.14, the potential risks associated with a continued investment in New Tabcorp Shares set out in Section 4.12 and the Independent Expert's Report in Annexure A – Independent Expert's Report), in deciding whether or not to vote in favour of the resolutions required to implement the Demerger.

¹ Legislative change to the *Totalizator Act 1997*(NSW) (and related legislation) would be required to allow any bidder to acquire more than 10% of the shares in either the NSW wagering licensee (TAB Limited) or Tabcorp Holdings Limited.

² For example, merger clearance requirements under s 50 of the *Competition and Consumer Act 2010* (Cth).

³ Tabcorp has various agreements with the racing industry in key States which include change of control provisions. These provisions would be triggered by any sale of the Wagering and Media business.

⁴ This includes the recommendation of Mr David Attenborough, the current Tabcorp MD & CEO, who will cease employment if the Demerger proceeds and will receive certain entitlements as a consequence (see footnote 2 and Section 7.1.5).

2.2 Potential advantages of the Demerger

2.2.1 Two independent businesses with separate Boards and focused Executive Leadership Teams and capital structures

The Demerger is expected to enable The Lottery Corporation and New Tabcorp Board and their respective ELTs to better focus on their own business operations, better implement their own strategic priorities and be more agile in responding to the changing dynamics, risks and opportunities of their respective product segments as they arise.

Post Demerger, The Lottery Corporation and New Tabcorp will be able to adopt separate capital structures and dividend policies appropriate for their different business characteristics, financial profiles, growth strategies and investment opportunities.

Additional information regarding the Board and ELT of The Lottery Corporation and New Tabcorp are set out in Sections 3.7 and 4.7. Details of the proposed capital structures for The Lottery Corporation and New Tabcorp are set out in Sections 3.12 and 4.10. The capital structures of each entity may change over time as determined by their respective Boards.

2.2.2 Improved ability to pursue independent growth strategies and initiatives

Following the Demerger, The Lottery Corporation and New Tabcorp are expected to be able to pursue their own independent growth strategies and initiatives which are more focused on their individual businesses and customers.

The Lottery Corporation's growth strategy framework will focus on innovating the game portfolio, enhancing customer experience, increasing digital penetration as part of the omni-channel strategy, evolving the retail footprint, pursuing new licence and acquisition opportunities as they arise, maintaining strong industry and regulatory engagement, and further building on community contribution. New Tabcorp's growth strategy framework will focus on delivering compelling customer experiences, addressing structural sustainability, innovation and growth, and delivering efficiencies. The growth strategies of The Lottery Corporation and New Tabcorp are set out in further detail in Sections 3.6 and 4.6 respectively, noting that these strategies will continue to evolve and be refined up to and beyond the Demerger, and will be reviewed by the newly constituted Boards with the new directors.

Each of The Lottery Corporation and New Tabcorp will continue to be able to participate in any consolidation or corporate activity post Demerger.

2.2.3 Greater investment choice with increased flexibility for current shareholders and potential to attract new shareholders

The Lottery Corporation's and New Tabcorp's business characteristics and financial profiles differ materially, which may appeal to different types of investors with different investment preferences in relation to asset or sector exposure, risk tolerance and other preferences. Additionally, certain types of investors may be restricted from investing in Tabcorp's Wagering and Media and Gaming Services businesses due to ESG criteria and mandates.

The existing combination of the Lotteries and Keno, and the Wagering and Media and Gaming Services businesses within a single group does not provide choice for investors who may prefer to invest in either Lotteries and Keno, or Wagering and Media and Gaming Services, but not both.

The Demerger will provide Eligible Shareholders with separate investments in two ASX-listed companies. Once The Lottery Corporation and New Tabcorp are separately listed on the ASX, existing and future investors will have greater investment choice and the opportunity to manage their exposure to each of the different businesses of The Lottery Corporation and New Tabcorp, increasing, decreasing or maintaining their exposure according to their own investment objectives and the different investment propositions that each entity presents.

OVERVIEW OF DEMERGER, ADVANTAGES, DISADVANTAGES AND RISKS *continued*

2.2.4 Direct market valuation for each of The Lottery Corporation and New Tabcorp established

Following the Demerger, once The Lottery Corporation and New Tabcorp are separately listed on the ASX, Eligible Shareholders and other investors will be able to separately evaluate their differing business characteristics, financial profiles and growth strategies, with direct market valuations established for each of the two companies.

2.3 Potential disadvantages of the Demerger

2.3.1 Transaction and implementation costs

Total one-off cash transaction and implementation costs in relation to the Demerger are estimated to be approximately \$270 million (on a pre-tax basis). Approximately \$70 million of these costs is expected to have been incurred prior to the Meetings⁵ when Tabcorp Shareholders will vote on the Demerger and the Capital Reduction. The remaining costs are expected to be incurred after the Meetings, of which a significant proportion relates to technology separation, and are expected to be incurred prior to 30 June 2023.

Refer to Section 7.6 for further information in relation to one-off transaction and implementation costs.

2.3.2 Ongoing incremental corporate and operating costs

As a result of the Demerger, The Lottery Corporation and New Tabcorp are currently expected to incur, in aggregate, ongoing incremental cash corporate and operating costs of approximately \$32 million p.a. on a pre-tax basis.

The Lottery Corporation, as a new ASX-listed entity, is expected to incur ongoing incremental cash corporate and operating costs of approximately \$9 million p.a. on a pre-tax basis. These costs include costs associated with ongoing ASX listing and compliance, governance, share registry, insurance, maintaining a separate Board and company secretariat, technology, field services and other corporate functions required to support a standalone listed company.

New Tabcorp is expected to incur ongoing incremental cash corporate and operating costs of approximately \$23 million p.a. on a pre-tax basis, associated with certain corporate services and internal management systems that have previously been partially allocated to The Lottery Corporation such as information technology, corporate and public company costs.

In addition, following the expiry of transitional services covering technology, The Lottery Corporation and New Tabcorp may also incur ongoing incremental technology costs associated with additional technology investment, roles and separation of technology contracts; however, these costs are uncertain and depend on future decisions to be made by the respective Boards and ELTs.

The Lottery Corporation and New Tabcorp will seek to mitigate these incremental costs, and currently anticipate that they will be able to offset part or all of the estimated ongoing incremental technology costs by cost reductions achieved through the continuation of a form of the Enterprise-wide optimisation program (3S) in both organisations.

Sections 3.13.3 and 4.11.4 set out further details in relation to the ongoing incremental corporate and operating costs that will be incurred by The Lottery Corporation and New Tabcorp as a result of implementing the Demerger.

⁵ Of the \$70 million of costs expected to be incurred up to the time of the Meetings, approximately \$53 million is expected to have been paid.

2.3.3 Reduction in size and diversification with implications to index inclusion

As separate entities, following the Demerger, The Lottery Corporation and New Tabcorp will each be smaller entities and less diversified than Tabcorp prior to the Demerger. As a result, the impact of an adverse event in either The Lottery Corporation or New Tabcorp individually will be greater than if the Demerger did not occur. Each entity may also experience increased exposure to volatility in financial markets due to their smaller size and reduced diversification.

Following the Demerger, each of The Lottery Corporation and New Tabcorp may have a lower market capitalisation and, as a result, lower individual index rankings than Tabcorp prior to the Demerger which may impact trading liquidity and institutional investor interest. It is currently anticipated that The Lottery Corporation will be eligible for inclusion within the S&P/ASX 100 index based on its estimated free float adjusted market capitalisation; however, it is uncertain whether The Lottery Corporation will also be eligible for inclusion within the S&P/ASX 50 index. It is currently anticipated that New Tabcorp will remain a constituent of the S&P/ASX 200 index based on its estimated free float adjusted market capitalisation; however, it is uncertain whether New Tabcorp will also remain a constituent of the S&P/ASX 100 index. Given that index inclusion depends on a number of factors, including trading performance, no assurances can be made regarding either The Lottery Corporation or New Tabcorp's potential index inclusion following the Demerger or in the future.

2.3.4 The Lottery Corporation and New Tabcorp will not have the same credit profile as Tabcorp prior to the Demerger

Following the Demerger, The Lottery Corporation and New Tabcorp will not have the same credit profiles as Tabcorp prior to the Demerger. Each entity will no longer be affected by the cash inflows and outflows relating to the other entity's operations and will have less business diversity than Tabcorp prior to the Demerger.

Post Demerger, each entity is likely to have a different cost of borrowing and will need to rely on its own balance sheet and ongoing financial and business performance to access debt and equity markets to fund ongoing operations. For more information on The Lottery Corporation's and New Tabcorp's facilities, please refer to Sections 3.13.9 and 4.11.11 respectively.

2.3.5 Some shareholders will not be eligible to receive The Lottery Corporation Shares and may not be able to retain The Lottery Corporation or New Tabcorp Shares post Demerger

Tabcorp Shareholders who are Ineligible Overseas Shareholders will not receive The Lottery Corporation Shares under the Demerger. The Lottery Corporation Shares that would otherwise be transferred to these shareholders on implementation of the Demerger will be transferred to the Sale Agent to be sold, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders (free of any brokerage costs or stamp duty, but after deducting any applicable withholding tax) as described in Section 5.6.

In addition, some Institutional Shareholders may not be permitted to retain their The Lottery Corporation Shares and/or their New Tabcorp Shares following the implementation of the Demerger under the terms of their investment mandates or other similar reasons.

2.4 Potential risks of the Demerger

2.4.1 Uncertainty about the combined market value of New Tabcorp Shares and The Lottery Corporation Shares relative to Tabcorp Shares prior to the Demerger

It is not possible to predict the particular market value of The Lottery Corporation Shares and New Tabcorp Shares following the Demerger.

OVERVIEW OF DEMERGER, ADVANTAGES, DISADVANTAGES AND RISKS *continued*

There can be no assurance that The Lottery Corporation Shares will trade at a particular price subsequent to their listing on the ASX. Following the Demerger, some shareholders may adjust their holdings in The Lottery Corporation or New Tabcorp. There is a risk that the combined market value of The Lottery Corporation and New Tabcorp as separate listed entities after the Demerger will be less than the market value of Tabcorp immediately before the Demerger, particularly while the shareholder base for each company evolves.

Tabcorp Shareholders should note that if the Demerger does not proceed, there is no assurance that Tabcorp Shares will continue to trade at prices in line with recent levels.

2.4.2 Potential delays, unexpected costs or other issues in establishing The Lottery Corporation as a standalone entity

The Lottery Corporation's businesses are currently supported by Tabcorp's corporate services infrastructure, including group finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, legal, risk and compliance, regulatory and governance, customer screening, responsible gambling, transaction and fraud monitoring and certain information technology functions.

As part of the implementation of the Demerger, The Lottery Corporation will over time be replacing these support functions and services with internal capabilities or with third party contracts and arrangements appropriate for it as a standalone entity. Certain transitional arrangements between The Lottery Corporation and New Tabcorp will be in place to minimise any potential disruption to The Lottery Corporation business while it establishes these alternative arrangements. See Section 7.7.5 for further details.

There is a risk that the performance of these functions will be negatively affected during The Lottery Corporation's period of transition to a standalone entity as systems and processes are implemented. The Lottery Corporation is expected to incur approximately \$131 million in one-off cash costs after the Meetings to establish these functions and services, and it may take some time to ensure that all functions and services are operating fully and efficiently. There is a risk that the establishment of these capabilities may take longer than expected, involve greater costs than anticipated, or impact operations and/or profitability.

2.4.3 Regulatory approvals

In order for the Demerger to proceed, certain approvals and consents are required from the governments and/or the regulatory bodies for gambling in each Australian State and Territory where The Lottery Corporation and New Tabcorp do business.

There are risks that:

- the relevant decision makers, governments or regulatory bodies will not provide the approvals and consents that are requirements in order for the Corporate Restructure and the Demerger to be implemented;
- there will be delays in connection with the relevant decision makers or regulatory bodies providing such approvals and consents; and/or
- the relevant decision makers or regulatory bodies propose to provide the approvals and consents required in order for the Demerger to be implemented, but such approvals and consents are to be provided subject to certain conditions which may not be acceptable to Tabcorp.

2.4.3.1 *New Tabcorp and The Lottery Corporation may not be able to assign, novate or transfer certain contracts or licences*

Certain contracts contain clauses that enable the counterparty to terminate the contract if a change of control of The Lottery Corporation or New Tabcorp entity occurs without the consent of the other party. In some cases, these clauses apply in the circumstances of the Demerger or Corporate Restructure. However, not all change of control clauses are triggered by the Demerger or Corporate Restructure. The Lottery Corporation and New Tabcorp ELTs have assessed the need to obtain consents from key counterparties and have begun the process of contacting the relevant counterparties to obtain the relevant consents. To the extent that these consents are not obtained, there is a risk of counterparties terminating the relevant contracts or alleging a breach of terms.

2.4.3.2 Transitional arrangements

Under the Transitional Services Agreement, New Tabcorp will provide certain finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, customer screening, responsible gambling, transaction and fraud monitoring, information technology and other services to The Lottery Corporation directly for a transitional period following the Demerger. The consent of, or an agreement with, a third party may be required to enable New Tabcorp to provide certain services under the Transitional Services Agreement following the Demerger.

2.4.4 Court approval and delay

As is the case with all schemes of arrangement in Australia, there is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed.

Section 3

Information on The Lottery Corporation



3.1 Business overview

3.1.1 Introduction to The Lottery Corporation

The Lottery Corporation (TLC) is Australia's leading lottery and Keno operator with a portfolio of high profile, recognised brands and games. With 742 expected employees as at 14 February 2022, The Lottery Corporation's business segments will consist of:

- **Lotteries** – The Lottery Corporation holds exclusive and/or long-dated licences and approvals to operate in all Australian States and Territories (excluding Western Australia), with a distribution network of 3,863 lottery outlets as at 31 December 2021, and strong digital penetration of approximately 32.8% online share of turnover in FY21. The Lottery Corporation operates one of the highest performing lotteries businesses globally¹.
- **Keno** – The Lottery Corporation is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (including digital approvals in the Australian Capital Territory and Victoria). Keno can be played in 3,409 venues as at 31 December 2021 and online, with FY21 online share of turnover approximately 15.5%.

The Lottery Corporation businesses sold over 600 million Lotteries and Keno tickets in FY21, and has experienced strong growth, with overall turnover compound annual growth rate (CAGR) of 8.4% from FY17 through FY21 and digital CAGR of 39.3% over the same period.

The Lottery Corporation (TLC)²

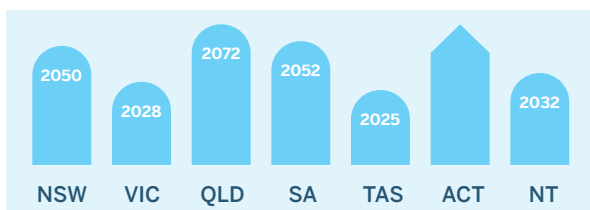


Lotteries



| | | |
|----------------------|----------------------------------|----------------------|
| \$3.0bn | \$522m | 3.9m |
| FY21 Segment Revenue | FY21 Segment EBITDA ³ | Registered customers |

Figure 1. Lotteries licences/approvals year of maturity^{4,5}

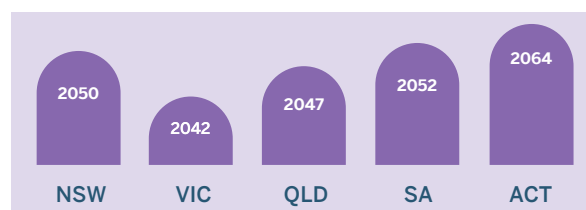


Keno



| | | |
|----------------------|----------------------------------|--------|
| \$255m | \$98m | 3,409 |
| FY21 Segment Revenue | FY21 Segment EBITDA ³ | Venues |

Figure 2. Keno licences/approvals year of maturity⁶



¹ The Lottery Corporation has the third-highest draw lottery game sales per capita worldwide. Source: La Fleur's Almanac 2021 (Lotto and spiel).

² Statistics as at 31 December 2021 unless otherwise specified.

³ Historical EBITDA (as defined in Section 3.13.2), excluding impairment and significant items, other net income/costs and net additional standalone operating costs, as per Section 3.13.4, Table 3.

⁴ The ACT Lotteries licence is indefinite unless revoked.

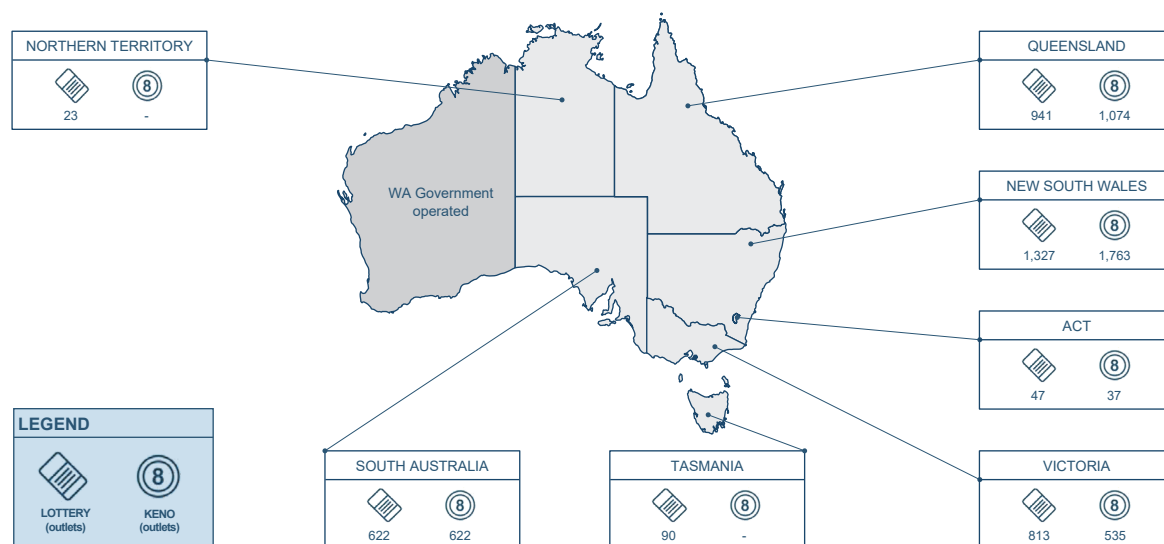
⁵ The Tasmanian lotteries operates under renewable five-year permits linked to Victorian and Queensland licences.

⁶ The NSW licence is operated with ClubKeno Holdings (CKH) as co-licensee.

3.1.2 The Lottery Corporation national footprint

As at 31 December 2021, The Lottery Corporation has a retail footprint of more than 7,000 points of distribution (3,863 lottery outlets and 3,409 Keno venues), one of the largest retail operations in the country as well as online distribution through various apps.

Figure 3. The Lottery Corporation map of distribution as at 31 December 2021⁷



3.1.3 History of The Lottery Corporation

The Lottery Corporation's Lotteries business dates back to 1881 when George Adams organised the first Tattersalls public sweep on the Sydney Cup; and by 1896, Tattersall's Sweeps began selling tickets across Australia and New Zealand by post.

In 1954, Tattersalls expanded its operations from Tasmania to Victoria by successfully acquiring the Victorian lottery licence. Tattersalls also acquired lottery operator businesses from various governments including Golden Casket in Queensland in 2007, NSW Lotteries in 2010 and the rights to sell South Australian lottery products in 2012 (which included South Australian Keno).

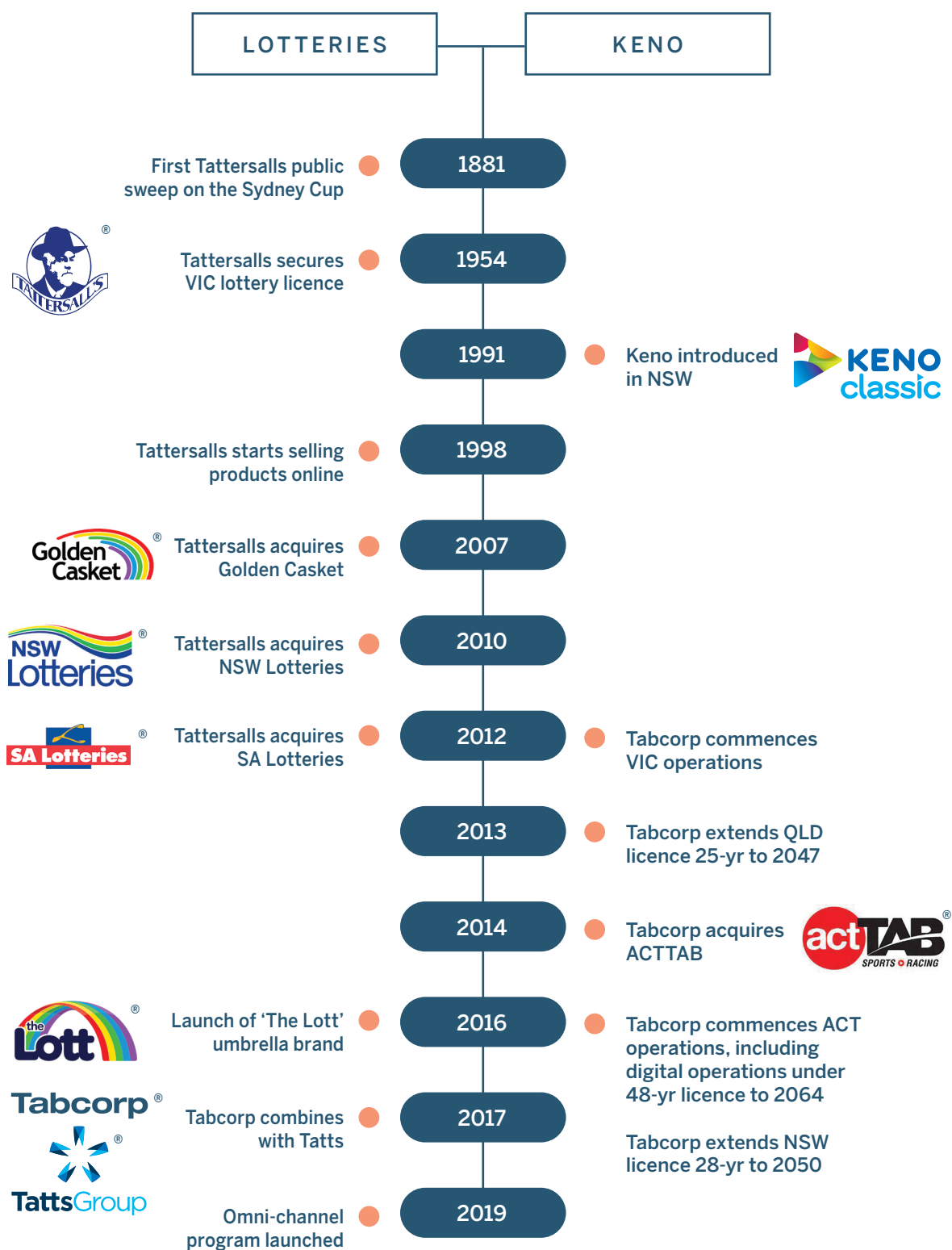
Tabcorp launched Club Keno in New South Wales in 1991, which operates under a co-licensee arrangement with Clubs NSW (**ClubKeno Holdings**). Over time, Tabcorp has progressively broadened its Keno game and geographic portfolio, acquiring the Queensland licence in 2007, commencing Victorian operations in 2012, and commencing Australian Capital Territory operations in 2016⁸. In the Tatts Group combination in 2017, Tabcorp also moved Tatts Group's South Australian Keno game (operated under the State Lotteries Act) to the Tabcorp Keno trading system and began aligning the game offering.

Over recent years, The Lottery Corporation's Lotteries and Keno businesses have successfully executed important game development initiatives including Powerball changes and the Keno Mega Millions launch in New South Wales and the Australian Capital Territory in FY17 and in Victoria and Queensland in FY18, Set for Life changes in FY20 and Saturday Lotto changes in FY21.

⁷ Keno products are distributed through lottery retail outlets in South Australia and are excluded from the Keno number of venues total.

⁸ Keno had been operated in Queensland since 1997, Victoria since 1994 and South Australia since 1990.

Figure 4. History of The Lottery Corporation's Lotteries and Keno businesses



3.2 Key strengths

3.2.1 The leader in the Australian lotteries and Keno market and one of the highest performing lottery operators globally

The Lottery Corporation is Australia's leading lottery operator and one of the highest performing operators globally⁹, with its strong market position underpinned by a portfolio of exclusive and/or long-dated lottery licences and approvals across all States and Territories (excluding Western Australia).

The business is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (including digital approvals in the Australian Capital Territory and Victoria).

3.2.2 High profile of recognised brands with significant retail distribution and growing online platform

The Lottery Corporation's games have strong brand recognition, with some brands enjoying prompted brand awareness of approximately 80%¹⁰.

These brands are promoted across the business' broad omni-channel distribution network which includes a retail footprint which is one of the largest retail operations in the country, with contracted points of distribution across a variety of channels such as newsagencies, convenience and fuel, post offices, licensed venues, and a variety of other retail store channel types. The retail channel is complemented with The Lottery Corporation's rapidly growing digital channel, which is expected to continue being a driver of earnings growth and margin improvement, as well as reselling arrangements with third parties.

3.2.3 Strong cash flow generation with infrastructure-like characteristics

The Lottery Corporation benefits from low capital investment requirements and has demonstrated a track record of stability through economic cycles.

Long-term lotteries earnings are reasonably steady and predictable via statistical models, underpinned by consistent demand. Key drivers of growth include population growth, price inflation, availability of distribution and product renewal to maintain consumer appeal.

The Lottery Corporation's strong cash generation will underpin an expected dividend payout ratio of 70% to 90% of net profit after tax excluding significant items¹¹.

3.2.4 Strong strategy to drive earnings growth and maximise shareholder returns

The Lottery Corporation's growth strategy framework as outlined in Section 3.6, will focus on: (1) innovating the game portfolio; (2) enhancing the customer experience; (3) increasing digital penetration as part of the omni-channel strategy; (4) evolving the retail footprint; (5) pursuing new licence and acquisition opportunities when they arise; (6) maintaining strong industry and regulatory engagement; and (7) further building on community contribution. This strategy will continue to evolve and be refined up to and beyond the Demerger, and will be reviewed by the newly constituted The Lottery Corporation Board with its new directors.

3.2.5 Experienced Board and Executive Leadership Team

The Lottery Corporation will have a highly credentialed leadership team with extensive commercial experience in the lottery and Keno industries and/or related industries, as outlined in Section 3.7.

⁹ The Lottery Corporation has the third-highest draw lottery game sales per capita worldwide. Source: La Fleur's almanac 2021 (Lotto and spiel).

¹⁰ Saturday Lotto, Powerball and Oz Lotto in CY21. Source: Tabcorp management.

¹¹ The Lottery Corporation's approach to dividends will be determined by The Lottery Corporation Board at its discretion and may change over time.

3.3 Industry overview

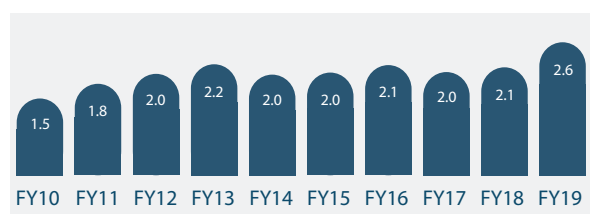
3.3.1 Lottery industry overview

The Australian lottery industry is licensed and regulated at a State and Territory level, with State regulators overseeing compliance of legislation, rules and regulation relating to the lottery games. The Lottery Corporation maintains exclusive and/or long-dated licences or authorities to operate in all States and Territories (excluding Western Australia). Lottery games are State/Territory specific, except for national games which are collectively operated under a contractual relationship between lottery operators which allows for combined prize pools enabling larger jackpots and promotional game offerings nationally. National games include Powerball, Monday & Wednesday Lotto, Saturday Lotto, Oz Lotto and Set for Life. Where The Lottery Corporation runs pooled products solely in jurisdictions in which it is licensed, such as Lucky Lotteries and Instant Scratch-Its, this is conducted under multi-jurisdictional operating agreements between relevant lottery operators.

In Australia (excluding Western Australia), The Lottery Corporation is the sole retail distributor of lottery products. The Lottery Corporation also sells lottery products digitally through various distribution channels in its licensed jurisdictions and has relationships with five official lotteries resellers, the largest of which is Jumbo Interactive Limited (**Jumbo**).

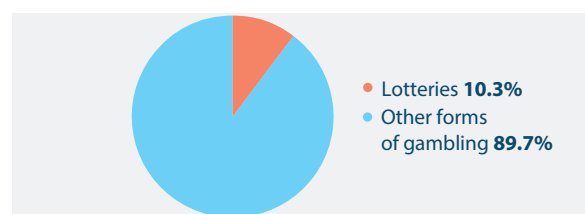
Total expenditure¹² on lotteries in Australia for FY19 was approximately \$2.6 billion, representing approximately 10% of total Australian gambling expenditure. The industry has grown strongly at approximately 6.3% p.a. from FY10 to FY19 with particularly strong growth experienced in FY19 of approximately 23% as a result of Powerball game changes, with further industry growth across FY20 and FY21 experienced from the continued success of the Powerball changes, along with Set for Life and Saturday Lotto changes and COVID-19 related trading uplifts across the portfolio.

Figure 5. Australian lotteries expenditure (\$bn)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

Figure 6. Lotteries percentage of FY19 total Australian gambling expenditure (%)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

Growth in the Australian lottery industry is impacted by macroeconomic factors including population growth, growth in household disposable income and changes in the propensity to gamble. The Australian population has grown at a CAGR of approximately 1.6% from FY10 to FY19. Australian household disposable income has also grown at a CAGR of approximately 4.1% from FY10 to FY19, while Australian gambling expenditure as a percentage of household disposal income has remained steady at approximately 2% from FY10 to FY19.

The Australian lottery industry has shown resilience through the economic cycle, supported by players having more latent time and shifts in consumer spending dynamics. In the COVID-19 environment, the industry performed strongly. While the majority of retail distributors of lottery products including newsagents and fuel stations remained open during COVID-19 related government restrictions, there was also an uptake of online channels, continuing the trend of digitalisation. Product innovation and game changes also continued during this period, further underpinning growth and reinforcing the resilience of the business and of the portfolio management approach.

¹² Lotteries total expenditure defined as lotteries turnover less prizes paid.

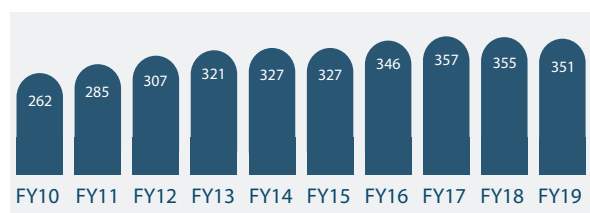
3.3.2 Keno industry overview

Keno is licensed and regulated at a State and Territory level, with licensed/authorised operators supplying Keno in venues such as hotels, clubs, wagering agencies and casinos. The Lottery Corporation has licences or authorities to operate in venues in New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory. As part of its approvals received to conduct Keno in the Australian Capital Territory and Victoria, The Lottery Corporation is also approved to operate an online Keno platform.

The remaining jurisdictional licences in Tasmania, Western Australia and the Northern Territory are held by other operators. These operators have arrangements in place with The Lottery Corporation which allow them to utilise The Lottery Corporation's Keno systems.

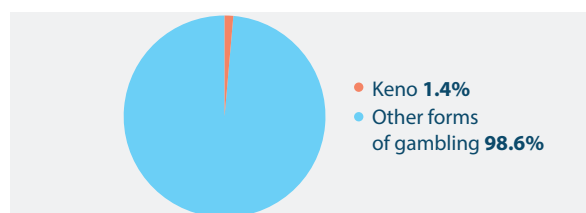
Total Australian expenditure on Keno for FY19 was approximately \$350 million, representing approximately 1.4% of total Australian gambling expenditure. The industry is estimated to have grown at approximately 3.3% p.a. from FY10 to FY19. Keno expenditure is generally more sensitive to macroeconomic factors than other forms of gambling and is closely related to in-venue dynamics. The Keno industry was adversely impacted by COVID-19 related government restrictions causing venue closures; however digital uptake (for ACT Keno online) increased over the same period.

Figure 7. Australian Keno expenditure (\$m)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

Figure 8. Keno percentage of FY19 total Australian gambling expenditure (%)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

3.4 Business segments overview

3.4.1 Lotteries

The Lotteries game portfolio offers a range of top prizes that appeal to an array of consumer purchase motivations. The products range from Instant Scratch-Its offering players instant wins to Powerball which provides life changing prizes. Each game is designed, positioned and promoted to appeal to different customer segments to ensure broad appeal across the Australian adult population. The Lottery Corporation's Lotteries business was acquired by Tabcorp as part of the Tatts Group combination in 2017.

The Lottery Corporation operates under 'The Lott' umbrella brand for the whole lotteries business. The business distributes lottery products in 3,863 retail outlets¹³ and online. Participation across these channels has resulted in approximately 46%¹⁴ of the adult population purchasing a lottery product over the prior 12 months, which is the equivalent to 8.3 million players¹⁴. Of these players, The Lottery Corporation has 3.9 million known customers in its lotteries database as at 31 December 2021, which accounted for 60% of turnover in 1H22. This database enables targeted one-to-one communications which supports and engages customers across multiple customer touch points.

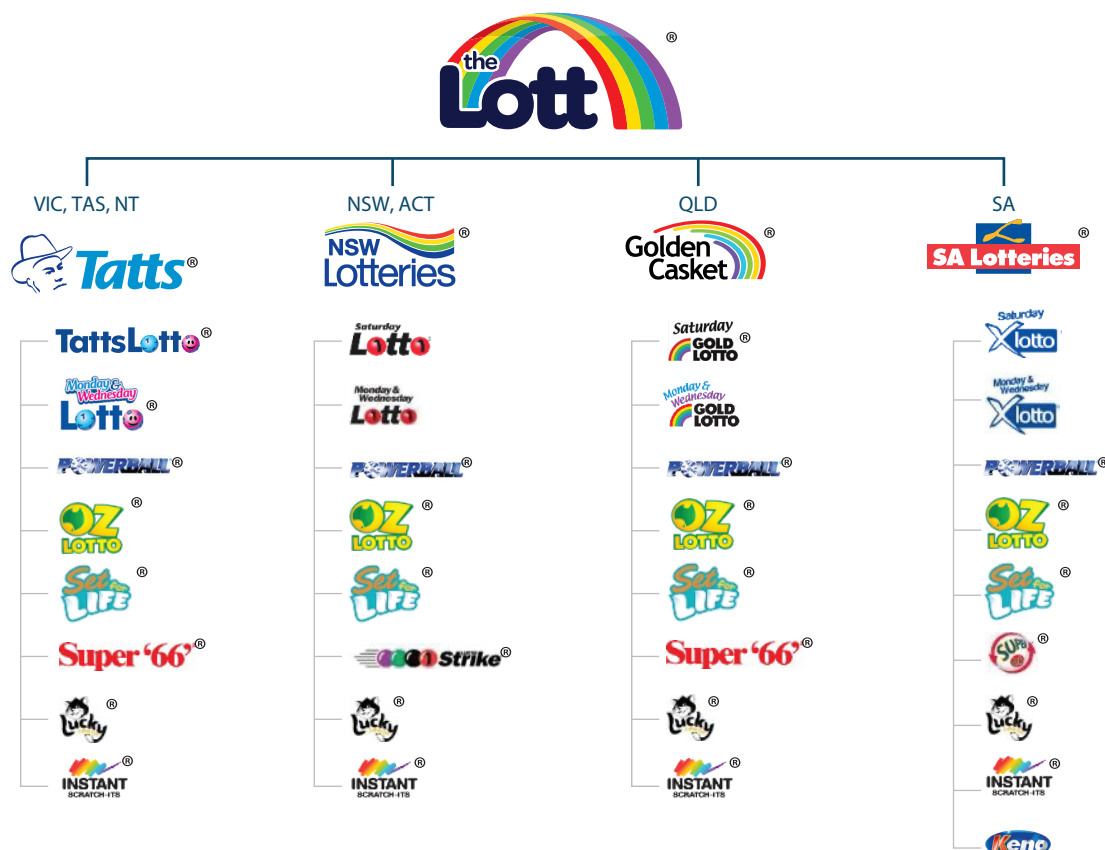
The Lottery Corporation's retail network includes Full-Service Outlets and Instant-Only Outlets that are installed as a 'store within a store' format to provide brand identity under The Lott alongside the respective licensee brands which follow a specific State-based identity. The Tatts brand is used in the Northern Territory, Victoria and Tasmania, while the NSW Lotteries brand is used in New South Wales and the Australian Capital Territory. The Golden Casket brand is used predominately in Queensland, and the SA Lotteries brand is used in South

¹³ As at 31 December 2021.

¹⁴ Source: Roy Morgan Gambling Monitor, October 2020–September 2021. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations, and Australian adult population as at September 2021, based on Australian Bureau of Statistics monthly estimates.

Australia. The Lottery Corporation offers 10 games, consisting of seven core base games and three jackpotting games, providing choices that cover a range of player motivations.

Figure 9. The Lottery Corporation's brands and lottery products



The Lottery Corporation also offers its lottery products digitally through its website and app under the 'The Lott' brand, with the digital share of Lotteries turnover approximately 32.8% for FY21. Digital sales of lottery products offer margin upside compared with retail sales. Future growth in digital penetration is expected to be a driver of earnings growth and margin improvement. The Lottery Corporation has also officially authorised Jumbo and four other lotteries resellers to resell lottery products online.

The Lottery Corporation has identified that customers are more valuable if they engage in both retail and digital channels than if they engage in only one channel. Therefore, The Lottery Corporation pursues an omni-channel growth strategy underpinned by its omni-channel program. Introduced in 2019, the program supports the delivery of an integrated omni-channel experience for customers, while also delivering benefits for retailers. The program's retailer remuneration model compensates retailers for both in-store performance and promotion of digital products. Remuneration is based on commission (on a percentage of the subscription portion of the ticket price) plus an adjustment for outlet performance, commission for customer digital membership sign-up and commission on customer digital spend.

Figure 10. FY21 Lotteries and Keno revenue by product (%)

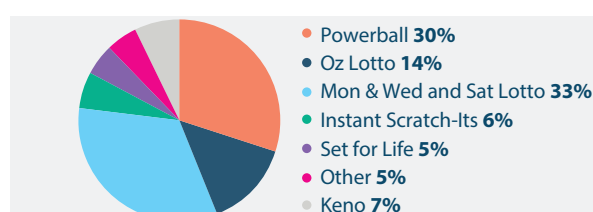
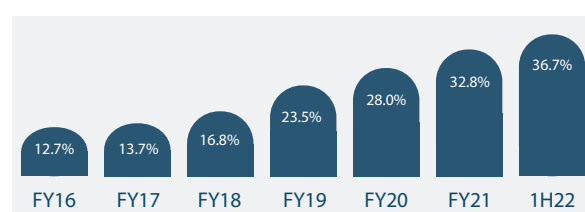


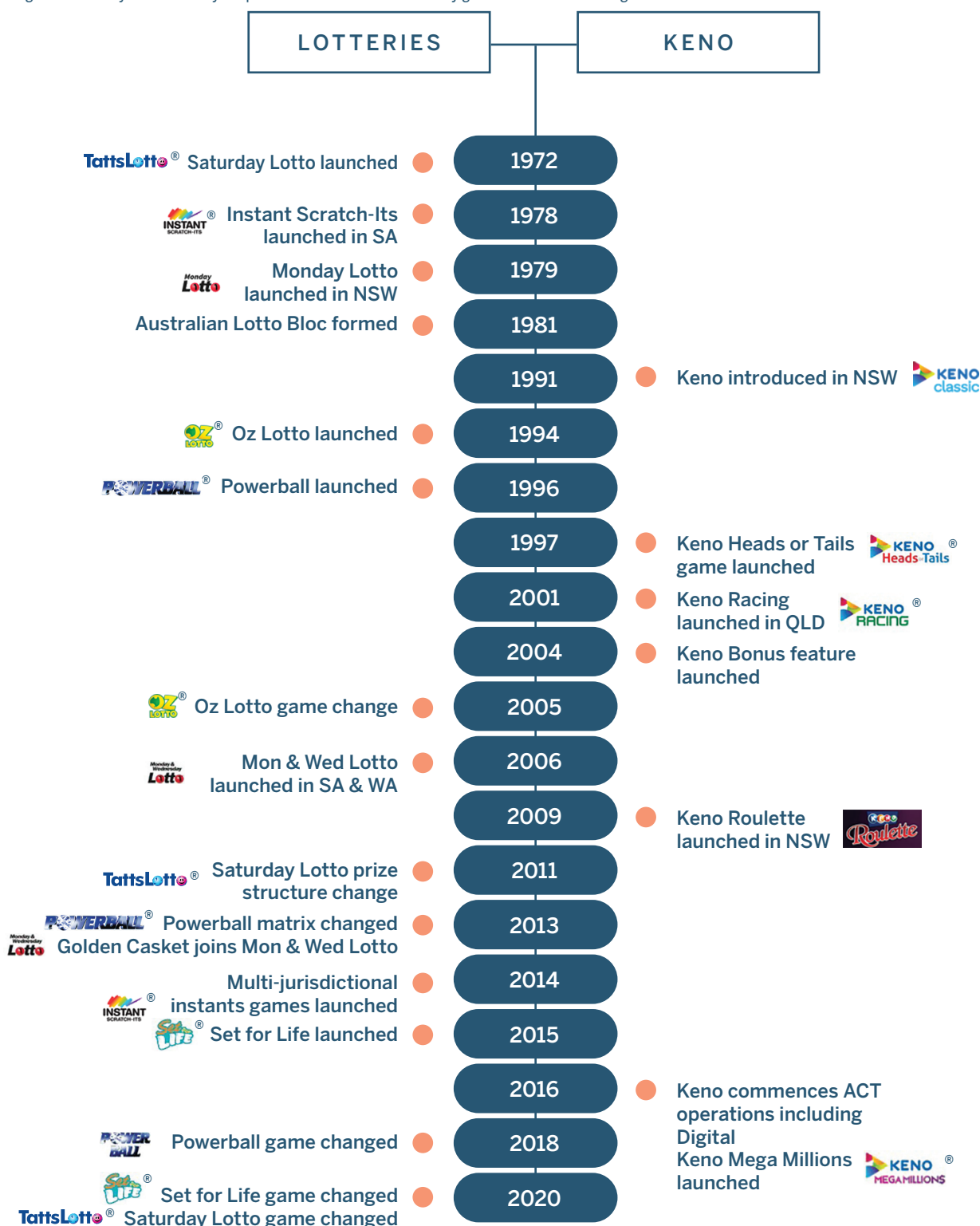
Figure 11. Historical Lotteries digital share of turnover (%)



INFORMATION ON THE LOTTERY CORPORATION continued

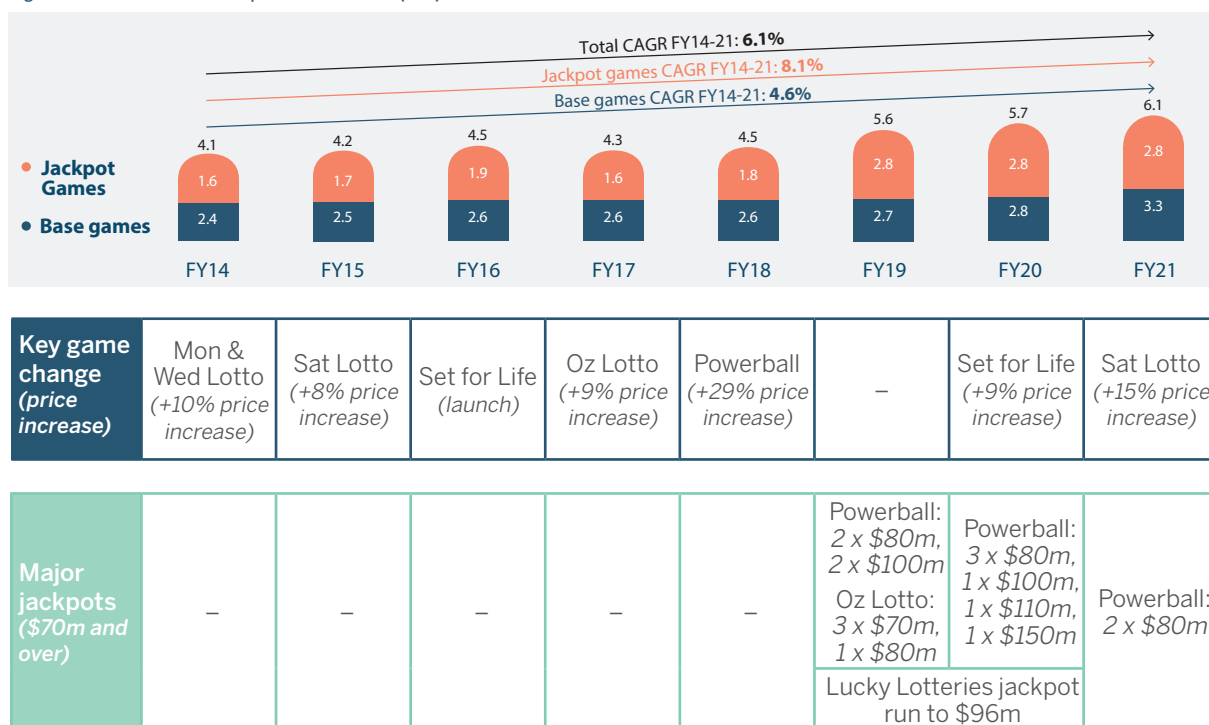
The Lottery Corporation has a track record of driving consistent sales growth through product innovation and active game portfolio management. Over the past 11 years, The Lottery Corporation's Lotteries and Keno businesses have successfully implemented 14 game initiatives including price increases, matrix changes and prize division restructures across its base and jackpot games.

Figure 12. History of The Lottery Corporation's Lotteries and Keno key game launches and changes



The Lottery Corporation actively manages growth as part of its overall strategy, including jackpot sequence changes and promotional offerings, with major jackpots generally attracting stronger turnover volumes.

Figure 13. Historical Lotteries portfolio turnover (\$bn)

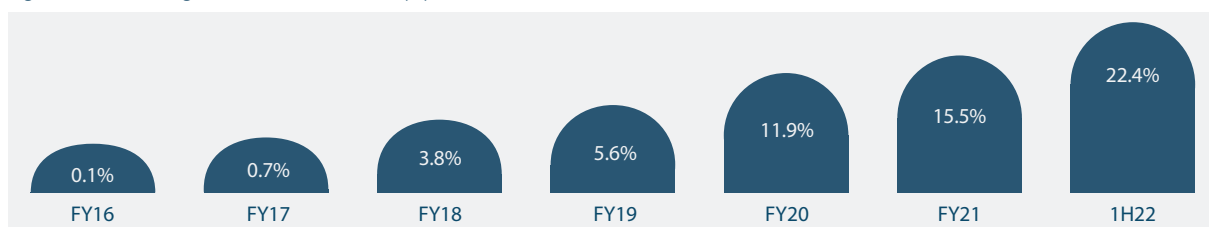


3.4.2 Keno

Keno is a random number game in which 20 numbers between 1 and 80 are randomly drawn with the chance for customers to win instant prizes and multi-million dollar jackpots. Keno is an interactive social game played in venues at pubs, clubs, hotels and casinos, with games typically running every three minutes.

The Lottery Corporation operates a Keno distribution network of 3,409 venues¹⁵ in New South Wales, Victoria, Queensland and the Australian Capital Territory. Keno is supplied in licensed venues including hotels, clubs, casinos and TABs as well as online through The Lottery Corporation's Australian Capital Territory and Victorian approvals. Keno is delivered through an additional 622 South Australian outlets¹⁵ which also sell lottery products.

Figure 14. Historical digital share of Keno turnover (%)¹⁶



The current Victorian Keno licence is due to expire in April 2022. On 23 February 2022, Tabcorp announced that it had been awarded one of two 20-year Victorian Keno licences to 2042, covering both retail and digital, for an upfront payment of \$25 million. Post Demerger, The Lottery Corporation is well positioned to continue offering Victorian players an attractive Keno game underpinned by the pooling of prizes with its other major Keno markets.

¹⁵ As at 31 December 2021.

¹⁶ The Lottery Corporation offers Keno online to residents living in Australian Capital Territory, Victoria, the Northern Territory, Tasmania and South Australia.

3.5 Impact of COVID-19 on The Lottery Corporation

COVID-19 has had varying effects on The Lottery Corporation's businesses, with the impact of Keno retail venue restrictions and closures offset by higher Lotteries earnings.

Lotteries performance was resilient in the COVID-19 environment, experiencing a positive impact from consumers being subject to travel restrictions, having more time to participate in products like lotteries, and spending less on competing entertainment and discretionary activities. The lotteries retail network remained largely unaffected during COVID-19 related lockdowns, and the customer shift towards digital sales provided an earnings benefit to Tabcorp over the period CY20 and CY21.

Keno was negatively impacted by retail restrictions and closures, with retail venues in each State and Territory in which Keno operates impacted fully or partially by government mandated lockdowns on average for 14 weeks in FY20. In FY21, retail venues in most States and Territories were only partially affected (approximately two weeks impacted fully or partially by lockdowns in retail venues), except Victoria which was impacted by closures for approximately 24 weeks. In 1H22, retail venues in New South Wales and Victoria were both impacted by government mandated lockdowns lasting approximately 16 weeks in total, and retail venues were impacted for approximately 11 weeks in the Australian Capital Territory and approximately three weeks in Queensland. While closures were somewhat offset by digital growth, revenue loss in New South Wales, the State with the largest number of Keno venues, was unable to be mitigated given there is no Keno online channel in the State.

Lotteries and Keno have also been affected by the emergence and spread of new variants such as Omicron, through disruptions to services and supply chains as well as nationwide staffing shortages. The long-term impacts on general economic or industry conditions, consumer discretionary spending and consumer confidence remain uncertain.

In responding to the impact of COVID-19 on Lotteries and Keno, Tabcorp prioritised protecting staff, customers and the community, and retail partners while focusing on maintaining continuity of operations. Initiatives taken to mitigate the impacts of COVID-19 included:

- introduction of the COVID-19 safe program for retail partners and core staff including provision of signage, floor decals, sneeze guards etc;
- evolved communication mix and digital advertising focused on awareness and conversion to digital channels;
- fee relief to retail Lotteries and Keno partners forced to close. Changes to Lotteries trading terms (including Instant Scratch-Its settlement terms) to reduce risk for retailers;
- temporary sequence changes in Jackpot games to adapt to changing sales conditions;
- developing cashless solutions in Keno venues to reduce potential cross-contamination from cash handling. Rollout targeted for CY22 (subject to regulatory approvals);
- deferral of payment of some State taxes; and
- further initiatives were also taken on a Tabcorp Group level as described in Section 4.5.




COVID-19 issues may potentially negatively impact The Lottery Corporation post Demerger, particularly Keno, if there are the emergence of new variants and further government mandated lockdown restrictions on retail venues.


3.7 The Lottery Corporation governance, Board and Executive Leadership Team

3.7.1 The Lottery Corporation Board

If the Demerger is implemented, and subject to the receipt of all necessary regulatory and ministerial consents, The Lottery Corporation Board will initially comprise four Directors on Demerger. There will be three Non-Executive Directors and one Executive Director (The Lottery Corporation Managing Director and Chief Executive Officer (**MD & CEO**)). Their biographical details are set out below.

Figure 18. The Lottery Corporation Board



| | |
|---|---|
|  <p>Steven Gregg Independent Chairman</p> | <p>Steven Gregg is the current Chairman of Tabcorp and if the Demerger proceeds, will retire from the Board of Tabcorp.</p> <p>Mr Gregg is Chairman of Ampol Limited and a Director of Challenger Limited and thoroughbred bloodstock company William Inglis & Son Limited. He is also a Trustee of the Australian Museum Trust and Chairman of Unisson Disability Limited.</p> <p>Mr Gregg is the former Chairman of Goodman Fielder Limited and Austock Group Limited.</p> <p>Mr Gregg had an executive career in investment banking and management consulting, including as a Senior Managing Director at ABN Amro Bank, and Partner and Senior Adviser to McKinsey & Company.</p> <p>Mr Gregg holds a Bachelor of Commerce.</p> |
|  <p>Sue van der Merwe Managing Director and Chief Executive Officer</p> | <p>Sue van der Merwe became Tabcorp's Managing Director – Lotteries and Keno following the combination of Tabcorp and Tatts Group in December 2017. Previously she held the role of Chief Operating Officer – Lotteries at Tatts Group. If the Demerger proceeds, Ms van der Merwe will cease her employment with Tabcorp and commence employment with The Lottery Corporation as Managing Director and Chief Executive Officer.</p> <p>Ms van der Merwe has extensive experience in lotteries spanning 30 years. She has played a central role in the successful development of the Australian lottery industry, and was instrumental in the acquisition of multiple lottery licences and the successful integration of these businesses. Today she is responsible for one of the most complex multi-jurisdictional lottery businesses in the world.</p> <p>Ms van der Merwe is Chairman of the Asia Pacific Lottery Association, sits on the World Lottery Association Executive Committee and was inducted into PGRI's Lottery Industry Hall of Fame in 2016, recognising her contribution to world lottery excellence and integrity.</p> <p>Ms van der Merwe holds a Bachelor of Social Science, Marketing and Economics.</p> |
|  <p>Harry Boon Independent Non-Executive Director</p> | <p>Harry Boon is currently a Non-Executive Director of Tabcorp and if the Demerger proceeds, will retire from the Board of Tabcorp.</p> <p>Mr Boon joined the Tabcorp Board in December 2017 following the Tabcorp-Tatts Group combination. He was previously the Chairman of Tatts Group, and served as a Non-Executive Director of Tatts Group from May 2005.</p> <p>Mr Boon is the former Chairman of Asaleo Care Limited and a former Director of Toll Holdings Limited.</p> <p>Mr Boon was previously Chief Executive Officer and Managing Director of ASX-listed company Ansell Limited until he retired in 2004, a position which capped a career spanning 28 years with the Ansell Group. Mr Boon has held senior positions in Australia, Europe, the US and Canada.</p> <p>Mr Boon holds a Bachelor of Laws (Honours) and a Bachelor of Commerce.</p> |

| | |
|---|---|
|  | <p>Anne Brennan is currently a Non-Executive Director of Tabcorp and if the Demerger proceeds, will retire from the Board of Tabcorp.</p> <p>Ms Brennan is a Director of Argo Investments Limited. She is also on the Boards of NSW Treasury Corporation and Rabobank New Zealand Limited.</p> <p>Ms Brennan previously served as Deputy Chair of Echo Entertainment Group Limited, and as a Director of Charter Hall Group, Nufarm Limited, Metcash Limited, Myer Holdings Limited, Rabobank Australia Limited and Spark Infrastructure RE Limited. Ms Brennan was formerly the Executive Finance Director of Coates Group and Chief Financial Officer at CSR Limited. She was previously a partner at KPMG, then Arthur Andersen and Ernst & Young.</p> <p>Ms Brennan holds a Bachelor of Commerce (Honours), and is a Fellow of the Chartered Accountants Australia and New Zealand (CA ANZ) and a Fellow of the Australian Institute of Company Directors (AICD).</p> |
|---|---|

Anne Brennan
Independent
Non-Executive Director

In addition, and subject to the receipt of all necessary regulatory and ministerial consents, it is intended that Dr Doug McTaggart and Mr John O'Sullivan will also be appointed as Non-Executive Directors of The Lottery Corporation following the Demerger. From the Implementation Date and until they receive the necessary approvals mentioned, it is intended that Dr Doug McTaggart and Mr John O'Sullivan will be observers to the Board. Neither of them has been involved in the preparation of this Demerger Booklet and, to the maximum extent permitted by law, they each expressly disclaim and take no responsibility for any statements in or omissions from this Demerger Booklet.

Figure 19. Directors to be appointed to The Lottery Corporation Board following the Demerger

| | |
|---|--|
|  | <p>Doug McTaggart is a Director of Suncorp Group Limited, Chairman of Indigenous Business Australia Asset Management Pty Ltd and serves on the Australian National University Council.</p> <p>Dr McTaggart recently retired as Chairman of Spark Infrastructure RE Limited. He was also a Director of UGL Limited and Chairman of SunCentral Maroochydore Pty Ltd. Dr McTaggart is a former CEO of QIC Limited, Under Treasurer of the Queensland Department of Treasury, Member of the Council of Australian Governments Reform Council, Councillor on the National Competition Council, and Professor of Economics and Associate Dean at Bond University.</p> <p>Dr McTaggart holds a Bachelor of Economics (Honours), Master of Arts (Economics), PhD, and an Honorary Doctorate. He is a Fellow of AICD and Senior Fellow of the Financial Services Institute of Australasia (FINSIA).</p> |
|  | <p>John O'Sullivan is Chairman of Serendipity Capital Holdings Limited and will retire as a Director of AMP Limited and AMP Bank Limited at, or prior to, the AMP Limited AGM in May 2022. He is a Member of the Takeovers Panel and an Ambassador of the Australian Indigenous Education Foundation.</p> <p>Mr O'Sullivan was a Partner at Freehill Hollingdale & Page (now Herbert Smith Freehills) practising in corporate, finance, mergers and acquisitions. Mr O'Sullivan was also General Counsel of the Commonwealth Bank of Australia and Executive Chairman, Investment Banking and Capital Markets, Australia at Credit Suisse Australia.</p> <p>Mr O'Sullivan holds a Bachelor of Laws, Bachelor of Arts and a Master of Laws.</p> |




Doug McTaggart
Independent
Non-Executive Director

John O'Sullivan
Independent
Non-Executive Director



3.7.2 The Lottery Corporation Executive Leadership Team

If the Demerger proceeds, and subject to the receipt of all necessary regulatory and ministerial consents, the ELT of The Lottery Corporation will be comprised of a number of experienced executives with extensive domestic and international experience both in the lottery and Keno space and/or publicly listed companies. Biographical details for the proposed ELT are set out below.

Figure 20. The Lottery Corporation Executive Leadership Team

| | |
|--|---|
|  <p>Sue van der Merwe Managing Director and Chief Executive Officer</p> | <p>See Section 3.7.1.</p> |
|  <p>Loren Fisher Chief Information Officer</p> | <p>Prior to commencing in The Lottery Corporation, Loren Fisher held the role of Chief Digital and Information Officer of Youi Insurance where she was accountable for digital strategy and execution, and the operational information technology function.</p> <p>Prior to this, Ms Fisher worked in a range of senior technology roles. This included tenure at Gartner and Rio Tinto, where she had management responsibility for portfolios such as functional, technical and software delivery, enterprise architecture and governance and portfolio management.</p> <p>Ms Fisher holds a Bachelor of Commerce (Business Management) and Information Systems and a certificate in Driving Digital Transformation from Harvard Business School.</p> |
|  <p>Patrick McGlinchey Chief Legal & Risk Officer and Co-Company Secretary</p> | <p>Patrick McGlinchey currently leads Tabcorp's Legal, Risk, Regulatory and Governance teams and commenced at Tabcorp in 2019. Mr McGlinchey will cease his employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief Legal & Risk Officer and Co-Company Secretary.</p> <p>Prior to joining Tabcorp, Mr McGlinchey was Regional General Counsel Asia Pacific at LafargeHolcim Group leading the legal, corporate governance and compliance teams across the Asia Pacific region. Mr McGlinchey has extensive international experience in a range of senior roles with listed multinationals and also the gambling entertainment industry, having served previously as Chief Legal Officer and Company Secretary at Aristocrat Leisure Limited.</p> <p>Mr McGlinchey holds a Bachelor of Laws (Honours) and a Bachelor of Economics (Soc Sc) from the University of Sydney. He has attended various executive development courses including the International Institute for Management Development in Switzerland (IMD) and the Wharton School in the USA.</p> |

| | |
|---|--|
|  <p>Antony Moore Chief Channel Officer</p> | <p>Antony Moore is currently General Manager Lotteries Retail at Tabcorp (previously Tatts Group), a position which he has held since August 2011. He is responsible for leading the Lotteries retail business at an operational and strategic level to optimise the performance of the Lotteries retail distribution network. Mr Moore will cease his employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief Channel Officer.</p> <p>Mr Moore has over 25 years' experience in senior retail operations roles, including with other retailers such as Retail Adventures, Rebel Group, Coles Supermarkets and Coles Liquor.</p> <p>Mr Moore is also a Director of the National Retail Association and the Franchise Council of Australia (FCA).</p> <p>Mr Moore holds a Bachelor of Commerce (Economics and Accounting). He is a FCA Certified Franchise Executive and is a Graduate Member of AICD.</p> |
|  <p>Callum Mulvihill Chief Commercial Operations Officer</p> | <p>Callum Mulvihill is currently General Manager Finance and Commercial for Tabcorp's Lotteries and Keno business, having been appointed to this role in March 2018 following the Tabcorp and Tatts Group combination. Prior to this he has held numerous commercial and business development roles at Tatts Group since June 2013. Mr Mulvihill will cease his employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief Commercial Operations Officer.</p> <p>Before joining Tatts Group, Mr Mulvihill was the General Manager – Marketing and Sales for the South Australian (SA) Government's SA Lotteries business, leading the marketing, sales, customer relations and public relations functions between 2006 and 2013. Tatts Group was appointed as the SA Government's Master Agent to operate this business in December 2012 with Mr Mulvihill taking a lead role in integrating the SA operation.</p> <p>Prior to his lottery industry experience, Mr Mulvihill held a number of financial, marketing and sales roles at Westpac and Ford Company of Australia over 11 years.</p> <p>Mr Mulvihill holds a Bachelor of Commerce and a Master of Business Administration, and is a Certified Practising Accountant and a Graduate Member of AICD.</p> |
|  <p>Adam Newman Chief Financial Officer</p> | <p>Adam Newman joined Tabcorp in October 2019 as Chief Financial Officer. Mr Newman will cease his employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief Financial Officer.</p> <p>Mr Newman was previously the Chief Financial Officer of ASX-listed energy company AusNet Services Limited between March 2013 and October 2019. He also held senior leadership roles at BlueScope Steel in Australia and the USA, and worked at BHP and in Coopers & Lybrand's Perth and London Corporate Advisory Groups.</p> <p>Mr Newman holds a Bachelor of Business, Post Graduate Diploma of Business, and Graduate Diploma in Applied Finance. He has also attended the Advanced Management Program at INSEAD (France).</p> <p>Mr Newman is a Member of CA ANZ and the Financial Services Institute of Australasia (FINSIA).</p> |

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|  <p>Andrew Shepherd Chief Customer & Marketing Officer</p> | <p>Andrew Shepherd is currently General Manager of Marketing for Tabcorp's Lotteries and Keno business. Mr Shepherd joined Golden Casket in 1997 which subsequently became part of Tatts Group in 2007, where he became the Head of Marketing. Mr Shepherd will cease his employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief Customer & Marketing Officer.</p> <p>At Tabcorp and Tatts Group, Mr Shepherd has been involved in the launch of The Lott master brand, The Lott website and app development, Powerball relaunch and various product changes and campaigns. Over the last 30 years, he has worked across a number of industries in various marketing roles including the automotive, dairy, beverage and lottery industries.</p> <p>Mr Shepherd holds a Bachelor of Business (Marketing). He is a Graduate Member of AICD and a member of various industry associations including the Australian Association of National Advertisers and the Australian Direct Marketing Association.</p> |
|  <p>Michelle Williams Chief People Officer</p> | <p>Michelle Williams commenced with Tabcorp in February 2020 as Chief People Officer. Ms Williams will cease her employment with Tabcorp upon commencing employment with The Lottery Corporation as Chief People Officer.</p> <p>Prior to joining Tabcorp, Ms Williams was Group Director Human Resources at Fairfax Media Limited and was responsible for setting and implementing human resources strategy across Fairfax's portfolio of newspapers, websites, radio stations, events and digital ventures in Australia and New Zealand. Prior to Fairfax, she held human resources roles with AXA and Colonial Limited.</p> <p>Ms Williams holds a Bachelor of Commerce and Bachelor of Science and is a member of the Australian Human Resources Institute and a Member of AICD.</p> |

3.7.3 The Lottery Corporation corporate governance

3.7.3.1 Corporate governance overview

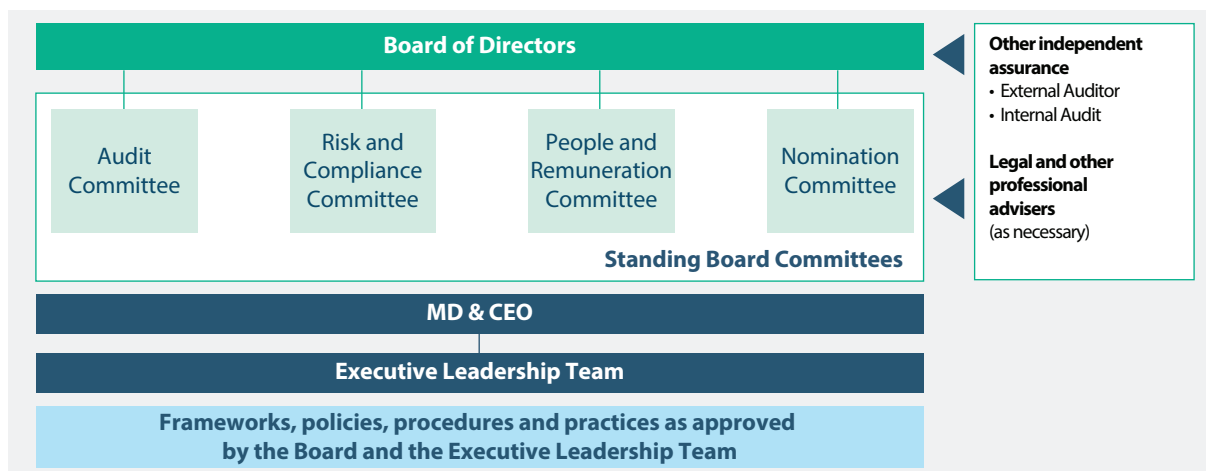
This section explains how The Lottery Corporation Board will oversee the management of The Lottery Corporation's business. The Lottery Corporation Board is responsible for the overall governance of The Lottery Corporation. The Lottery Corporation's key corporate governance policies and the charters for The Lottery Corporation Board and each Board Committee are available at www.tabcorp.com.au/investors/demerger.

Consistent with various Australian practices and laws, The Lottery Corporation Board will among other things, monitor the financial position, risk exposure and tolerance, and corporate performance of The Lottery Corporation and oversee its business strategy. The Lottery Corporation Board is committed to protecting and optimising performance and building sustainable value for The Lottery Corporation Shareholders, as well as promoting a good corporate and risk aware culture within the organisation. In conducting The Lottery Corporation's business with these objectives, The Lottery Corporation Board will seek to ensure that The Lottery Corporation is properly managed to protect and enhance The Lottery Corporation Shareholder interests and that The Lottery Corporation and The Lottery Corporation Directors, officers and team members operate in an environment of strong corporate governance and risk management.

Accordingly, The Lottery Corporation Board has created a framework for managing The Lottery Corporation, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for The Lottery Corporation's business and that are designed to promote the responsible management and conduct of The Lottery Corporation.

The main policies and practices adopted by The Lottery Corporation, which will take effect from The Lottery Corporation Listing, are summarised below. In addition, many governance elements are contained in The Lottery Corporation Constitution, which is summarised in Section 7.4.

Figure 21. The Lottery Corporation governance framework



3.7.3.2 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Lottery Corporation is seeking a listing on the ASX. The ASX Corporate Governance Council has developed the fourth edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) for entities listed on the ASX in order to promote investor confidence and to assist companies in meeting stakeholder expectations.

The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, The Lottery Corporation will be required to provide a corporate governance statement at the time it releases its Annual Report disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where The Lottery Corporation does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Lottery Corporation intends to comply with all of the ASX Recommendations from the time of or shortly after The Lottery Corporation Listing.

3.7.4 The Lottery Corporation Board of Directors

At the time of The Lottery Corporation Listing, and subject to any probity requirements, The Lottery Corporation Board will be comprised of four Directors, including an independent, Non-Executive Chairman, an Executive Director and two Non-Executive Directors (all of whom are considered to be independent).

Detailed biographies of The Lottery Corporation Board members on The Lottery Corporation Listing are provided in Section 3.7.1.

The Lottery Corporation Board has adopted a definition of independence that is based on the ASX Recommendations. The Lottery Corporation Board considers a The Lottery Corporation Director to be independent where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before The Lottery Corporation Board and to act in the best interests of The Lottery Corporation as a whole rather than in the interests of an individual The Lottery Corporation Shareholder or other party. The Lottery Corporation Board will regularly assess the independence of each The Lottery Corporation Director in light of information disclosed to The Lottery Corporation Board.

The Lottery Corporation Board considers that each of Anne Brennan and Harry Boon are independent Non-Executive Directors, and Steven Gregg is considered to be an independent Non-Executive Chair.

3.7.4.1 *The Lottery Corporation Board Charter*

The Lottery Corporation Board has adopted a written Board Charter (which is available at www.tabcorp.com.au/investors/demerger) to provide a framework for the effective operation of The Lottery Corporation Board. The Board Charter sets out:

- the requirements regarding The Lottery Corporation Board's composition and independence;
- The Lottery Corporation Board's role and the responsibilities and processes of The Lottery Corporation Board;
- the relationship and interaction between The Lottery Corporation Board and the ELT; and
- the authority delegated by The Lottery Corporation Board to the ELT and to The Lottery Corporation Board Committees.

The Lottery Corporation Board's role is to:

- provide leadership for The Lottery Corporation and represent and serve the interests of The Lottery Corporation Shareholders by overseeing and appraising The Lottery Corporation's strategies, policies and performance. This includes overseeing the financial, human and other resources The Lottery Corporation has in place to meet its objectives and reviewing management performance;
- protect and optimise The Lottery Corporation performance and build sustainable value for The Lottery Corporation Shareholders in accordance with any duties and obligations imposed on The Lottery Corporation Board by law and The Lottery Corporation's Constitution, and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with The Lottery Corporation's values, and governance and risk framework (including establishing and observing high ethical standards); and
- ensure The Lottery Corporation Shareholders are kept informed of The Lottery Corporation's performance and major developments affecting its state of affairs.

The Lottery Corporation Board Charter also sets out the Board's responsibilities, including approving measurable objectives for achieving gender diversity in the composition of the Board, senior executive team and workforce generally and assessing The Lottery Corporation's progress in achieving those objectives.

While The Lottery Corporation Board retains ultimate responsibility for the strategy and performance of The Lottery Corporation, the day-to-day management of The Lottery Corporation is conducted by, or under the supervision of, The Lottery Corporation Managing Director (**MD**) and Chief Executive Officer (**CEO**) as directed by The Lottery Corporation Board. Management must supply The Lottery Corporation Board with information in a form, timeframe and quality that will enable The Lottery Corporation Board to discharge its duties effectively.

The Lottery Corporation Board may collectively seek advice or services from independent advisers as to any matter required to fulfil its responsibilities. Each The Lottery Corporation Director individually may seek independent professional advice at The Lottery Corporation's expense, subject to the approval of the Chairman of The Lottery Corporation Board or, in the case of the Chairman, approved by the Chairman of the Audit Committee.

3.7.5 *The Lottery Corporation Board Committees*

The Lottery Corporation Board may, from time to time, establish Committees, in accordance with The Lottery Corporation Constitution, to streamline the discharge of its responsibilities. The permanent standing Committees of The Lottery Corporation Board will be the:

- Audit Committee;
- Risk and Compliance Committee;
- People and Remuneration Committee; and
- Nomination Committee.

Other Committees may be established by The Lottery Corporation Board as and when required. The Lottery Corporation Board may also convene and delegate specific functions to ad hoc committees on an 'as needs' basis.

Each Committee will, in discharging its duties, seek to co-ordinate its activities with such other Committees of the Board as may be convened from time to time, where appropriate. Each Committee Chairman will liaise with the Chairman of such other Committees on an ongoing basis to ensure that no material matter is overlooked by the respective Committees. Each Committee will, where appropriate, provide reports to the other Committees on matters relevant to the Committee's specific responsibilities that may be relevant to those Committees' duties and responsibilities.

3.7.5.1 Audit Committee

Under its Charter, this Committee must consist of a minimum of three members, only Non-Executive Directors, a majority of whom must be independent and an independent Non-Executive Director as Chairman who is not the Chairman of The Lottery Corporation Board. The Audit Committee will initially comprise:

- Anne Brennan (Chairman);
- Steven Gregg; and
- Harry Boon.

The purpose of the Audit Committee is to assist The Lottery Corporation Board in fulfilling its responsibilities in overseeing activities relating to:

- the preparation of the financial statements and associated external reports;
- oversight of The Lottery Corporation's financial systems and related controls;
- The Lottery Corporation's relationship with the external auditor and the external audit function generally, as well as its independence, objectivity and performance;
- The Lottery Corporation's relationship with the internal auditor and the internal audit function generally; and
- oversight and monitoring of The Lottery Corporation's Whistleblower Policy and Framework.

The Audit Committee's primary roles and responsibilities will be to review, report to, and where appropriate make recommendations to, The Lottery Corporation Board in relation to:

- the reporting of financial information and associated external reporting by The Lottery Corporation;
- the appropriate application and amendment of accounting policies by The Lottery Corporation;
- the appointment, independence and remuneration of the external auditor of The Lottery Corporation; and
- The Lottery Corporation's internal audit function.

The Audit Committee is also responsible for overseeing and monitoring The Lottery Corporation's Whistleblower Policy and Framework, and receiving reports from The Lottery Corporation's whistleblower committee (including in relation to material incidents reported).

All The Lottery Corporation Non-Executive Directors have a standing invitation to attend Audit Committee meetings and have access to Committee papers, subject to conflicts. Other non-Committee members, including members of management and the external auditor and internal auditor, may attend all or part of a meeting of the Committee at the invitation of the Committee Chairman.

3.7.5.2 Risk and Compliance Committee

Under its Charter, this Committee must consist of a minimum of three members, only Non-Executive Directors, a majority of whom must be independent and an independent Non-Executive Director as Chairman. The Risk and Compliance Committee will initially comprise:

- Steven Gregg (Interim Chairman);
- Anne Brennan; and
- Harry Boon.

The Lottery Corporation intends that upon receipt of the necessary regulatory and ministerial consents, Doug McTaggart will be appointed as Chairman of the Risk and Compliance Committee to replace Steven Gregg.

INFORMATION ON THE LOTTERY CORPORATION *continued*

The purpose of the Risk and Compliance Committee is to assist The Lottery Corporation Board in fulfilling its responsibilities in overseeing activities relating to the Company's identification, assessment, management and reporting of risk (for both financial and non-financial risks) and adherence with compliance obligations.

The Risk and Compliance Committee's primary roles and responsibilities are to review, report to, and where appropriate make recommendations to, The Lottery Corporation Board in relation to:

- the adequacy and effectiveness of The Lottery Corporation's risk management framework (for both financial and non-financial risks) and supporting policies and processes to identify and manage The Lottery Corporation's risks;
- the risk appetite for The Lottery Corporation; and
- the adequacy and effectiveness of The Lottery Corporation's compliance management framework and supporting policies and processes to ensure compliance with The Lottery Corporation's legal and regulatory obligations.

All The Lottery Corporation Non-Executive Directors have a standing invitation to attend Risk and Compliance Committee meetings and have access to Committee papers, subject to conflicts. Other non-Committee members, including members of management and the internal auditor, may attend all or part of a meeting of the Committee at the invitation of the Committee Chairman.

3.7.5.3 People and Remuneration Committee

Under its Charter, this Committee must consist of a minimum of three members, only Non-Executive Directors, a majority of whom must be independent and an independent Non-Executive Director as Chairman. The People and Remuneration Committee will initially comprise:

- Harry Boon (Chairman);
- Anne Brennan; and
- Steven Gregg.

The purpose of the Committee is to assist the Board to fulfil its duties and responsibilities relating to:

- the remuneration of The Lottery Corporation Chairman and other Non-Executive Directors;
- the performance and remuneration of, and incentives for, The Lottery Corporation MD & CEO and ELT members;
- The Lottery Corporation's remuneration framework and policies, superannuation arrangements, employee share ownership schemes and performance incentive schemes;
- The Lottery Corporation's people strategies and policies, including talent retention, inclusion and diversity, culture and engagement; and
- The Lottery Corporation's health, safety and wellbeing strategy and performance.

The Committee's primary roles and responsibilities include:

- approving amendments to, conducting regular reviews of, and monitoring the implementation of, The Lottery Corporation's remuneration framework;
- reviewing and recommending to The Lottery Corporation Board employment and remuneration arrangements for the MD & CEO, including contract terms, annual remuneration and participation in The Lottery Corporation's incentive plans, and incentive award outcomes;
- on recommendation of the MD & CEO, reviewing and approving employment and remuneration arrangements for members of the ELT, including contract terms, annual remuneration and participation in The Lottery Corporation's incentive plans, and incentive award outcomes;
- overseeing the operation of The Lottery Corporation's employee incentive plans in place from time to time and reviewing and approving material amendments to the incentive plans, including performance hurdles, eligibility, opportunities and reward vehicles;
- reviewing and recommending to The Lottery Corporation Board the remuneration arrangements for the Chairman and the Non-Executive Directors of The Lottery Corporation Board, including fees, travel and other benefits;

- overseeing The Lottery Corporation's people strategies and policies related to recruitment, retention, termination and industrial relations;
- overseeing The Lottery Corporation's organisational culture and employee engagement results and action plans;
- overseeing The Lottery Corporation senior leadership talent and succession plans and processes for the identification, promotion and retention of talent;
- overseeing The Lottery Corporation's diversity and inclusion strategies, policies and processes, and recommending to the Board appropriate gender diversity objectives and measures; and
- receiving information and where appropriate reporting to The Lottery Corporation Board on material breaches of The Lottery Corporation's Code of Conduct.

All The Lottery Corporation Non-Executive Directors have a standing invitation to attend People and Remuneration Committee meetings and have access to Committee papers, subject to conflicts. Other non-Committee members, including members of management, may attend all or part of a meeting of the Committee at the invitation of the Committee Chairman.

3.7.5.4 Nomination Committee

Under its charter, this Committee must consist of a minimum of three members, only Non-Executive Directors, a majority of whom must be independent, and an independent Non-Executive Director as Chairman. The Nomination Committee will initially comprise:

- Steven Gregg (Chairman);
- Anne Brennan; and
- Harry Boon.

The Lottery Corporation intends that upon receipt of the necessary regulatory and ministerial consents, John O'Sullivan and Doug McTaggart will be appointed as members of the Nomination Committee.

The purpose of the Nomination Committee is to assist The Lottery Corporation Board in fulfilling its responsibilities in relation to the size and composition of The Lottery Corporation Board, reviewing The Lottery Corporation Board performance and succession planning.

The Committee's primary roles and responsibilities include:

- monitoring, reviewing and making recommendations to The Lottery Corporation Board regarding the size and composition of The Lottery Corporation Board and Committees;
- making recommendations to The Lottery Corporation Board regarding the appointment and re-appointment of Non-Executive Directors, including terms of appointment and the retirement by rotation of Non-Executive Directors at each Annual General Meeting;
- monitoring, undertaking an annual assessment (or more frequently, if required) of, and making recommendations to The Lottery Corporation Board as to, the independence of each Director;
- making recommendations to The Lottery Corporation Board regarding the process for reviewing the performance of The Lottery Corporation Board, Committees, the Chairman and individual Directors, including the engagement of external consultants;
- ensuring that appropriate processes are in place to support Director induction and professional development; and
- reviewing and making recommendations to The Lottery Corporation Board regarding Board succession plans, including the succession of the Chairman and The Lottery Corporation MD & CEO, to maintain an appropriate mix of skills, experience, expertise and diversity on the Board.

All The Lottery Corporation Non-Executive Directors have a standing invitation to attend Committee meetings and receive copies of the Committee papers, subject to conflicts. Other non-Committee members, including members of management, may attend all or part of a meeting of the Committee at the invitation of the Committee Chairman.

3.7.6 Corporate governance policies

This section provides a summary of the key corporate governance policies that will apply from The Lottery Corporation Listing.

3.7.6.1 *Market Disclosure Policy, and communications with investors and other stakeholders*

Once listed, The Lottery Corporation will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Lottery Corporation respects the rights of its shareholders and is committed to keeping them and other stakeholders informed of important news and events relating to The Lottery Corporation.

The Lottery Corporation is aware of its obligation to keep the market fully informed of any information The Lottery Corporation becomes aware of concerning it, which may have a material effect on the price or value of The Lottery Corporation securities, subject to certain exceptions.

The Lottery Corporation is committed to providing the market with timely, accurate and balanced disclosure in accordance with its obligations under the Corporations Act and the ASX Listing Rules. The company will also operate a Disclosure Committee consisting of certain ELT members to monitor and review relevant issues in respect of meeting its obligations.

The Lottery Corporation has adopted a Market Disclosure Policy to take effect from The Lottery Corporation Listing that establishes procedures aimed at ensuring that The Lottery Corporation fulfils its obligations in relation to the timely disclosure of material price-sensitive information. The purpose of the policy is to outline how The Lottery Corporation complies with its continuous disclosure obligations. The Lottery Corporation has also developed Internal Procedures for Market Disclosure to provide more guidance to team members who are responsible for the effective implementation of the policy.

Additionally, The Lottery Corporation recognises that potential investors and other interested stakeholders may wish to obtain information about The Lottery Corporation Group from time to time. To achieve this, The Lottery Corporation will communicate information regularly to The Lottery Corporation Shareholders and other stakeholders through a range of forums and publications, including The Lottery Corporation's website, at the Annual General Meeting, and through The Lottery Corporation's Annual Report and ASX announcements.

To support this objective, the Shareholder Communications Policy has been developed and will apply from The Lottery Corporation Listing.

3.7.6.2 *Securities Trading Policy*

The Lottery Corporation has adopted a Securities Trading Policy that will apply from Listing and will support team members to comply with their obligations under insider trading laws, promote confidence in the integrity of the market for The Lottery Corporation securities and protect The Lottery Corporation's reputation.

In addition to outlining the legal requirements that apply to dealings in The Lottery Corporation securities by all team members, the policy provides that The Lottery Corporation Directors, certain restricted team members (including The Lottery Corporation MD & CEO and ELT and their direct reports) and their associates must obtain prior approval to trade in The Lottery Corporation securities and are not permitted to trade during specified blackout periods.

The applicable blackout periods commence on:

- 1 January and end on the day The Lottery Corporation announces its half year results (inclusive);
- 1 July and end on the day The Lottery Corporation announces its preliminary full year results (inclusive);
- 1 October and end on the day of The Lottery Corporation's Annual General Meeting (inclusive); and
- any other period imposed by The Lottery Corporation Board or The Lottery Corporation Chairman from time to time at their absolute discretion and without prior notice.

Outside the blackout periods, these restricted persons must receive prior approval for any proposed dealing in The Lottery Corporation securities (including any proposed dealing by one of their associates), and in all instances, buying or selling securities is not permitted at any time by any person who possesses inside information.

The policy also prohibits:

- employees participating in any The Lottery Corporation employee or executive equity or incentive plans from hedging the value of restricted The Lottery Corporation Shares or unvested The Lottery Corporation performance rights; and
- margin lending arrangements, short selling and engaging in speculative short-term investing in relation to The Lottery Corporation securities.

3.7.6.3 Code of Conduct

The Lottery Corporation Limited is committed to being a good corporate citizen that practices high standards of corporate conduct, integrity, ethics and governance in our business practices. The Lottery Corporation is focused on conducting its business ethically, honestly, transparently and in compliance with its policies and legal and regulatory obligations. It aims to behave with integrity in all dealings with customers, shareholders, government, employees, suppliers and the community. The Lottery Corporation Board has adopted a formal Code of Conduct that outlines how The Lottery Corporation expects its team members and The Lottery Corporation Directors to behave and conduct business.

The key principles in the code include:

- acting ethically and lawfully in conducting The Lottery Corporation's business and not giving or receiving inappropriate benefits;
- treating each other fairly and promoting a safe and inclusive work environment;
- using the information and property of The Lottery Corporation Group appropriately;
- communicating honestly and accurately with The Lottery Corporation Group investors and other stakeholders; and
- acting responsibly towards the community and environment in which The Lottery Corporation operates.

The code specifies that failing to follow the spirit or the principle of the code is a serious matter and sets out how to report potential breaches of the code and the potential consequences for breach.

3.7.6.4 Inclusion and Diversity Policy

The Lottery Corporation Board has adopted an Inclusion and Diversity Policy in order to, among other matters, articulate The Lottery Corporation's commitment to creating a culture of inclusion and to promote diversity. The Lottery Corporation's vision for diversity covers all aspects of difference, such as gender, ethnicity, marital or family status, religion, culture, language, sexual orientation, disability and age, as well as differences in background and life experience.

Under the policy, the Inclusion and Diversity Council (made up of The Lottery Corporation MD & CEO and ELT) are responsible for The Lottery Corporation's inclusion strategy, providing strategic guidance on its implementation, monitoring progress, reporting to The Lottery Corporation Board and acting as ambassadors to drive inclusion across the organisation.

The Lottery Corporation Board will establish diversity-related measurable objectives for the Group and include in the Annual Report each year a summary of The Lottery Corporation's progress towards achieving the measurable objectives set under the Inclusion and Diversity Policy for the year to which the Annual Report relates and details of the measurable objectives set under the Inclusion and Diversity Policy for the subsequent financial year.

3.7.6.5 Ethical Business Conduct

The Lottery Corporation Board is committed to establishing and observing high ethical standards and ensuring that those standards are observed in the way The Lottery Corporation team members and The Lottery Corporation Directors conduct business. The Lottery Corporation Board is responsible for setting the values of The Lottery Corporation and setting the 'tone from the top'.

To support its objective, the following policies (amongst others, and in addition to the policies that have been listed in Section 3.7.6) have been developed and will apply from The Lottery Corporation Listing:

- Anti-Bribery and Anti-Corruption Policy;
- Sanctions Policy;
- Political Contributions Policy; and
- Conflict of Interest Policy.

Consistent with a commitment to maintaining a culture of honesty and integrity, The Lottery Corporation intends to develop and implement a Whistleblower Policy and framework, to apply from The Lottery Corporation Listing.

The Lottery Corporation Board recognises that it has a responsibility to create a healthy and safe work environment and promote ethical and socially responsible behaviour in accordance with the values of The Lottery Corporation Group. Refer to Section 3.10 for an overview of The Lottery Corporation's approach to corporate responsibility.

3.7.7 The Lottery Corporation Directors' interests and remuneration

3.7.7.1 The Lottery Corporation Managing Director and Chief Executive Officer

Refer to Section 3.7.8.1 for a description of the MD & CEO's remuneration.

3.7.7.2 The Lottery Corporation Non-Executive Directors' arrangements

Under The Lottery Corporation Constitution, The Lottery Corporation Board decides the total amount paid to each Director as remuneration for their services as a The Lottery Corporation Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by The Lottery Corporation in a general meeting. At the time of Listing, this amount will be fixed by The Lottery Corporation at \$3,000,000 p.a. This amount is intended to provide The Lottery Corporation with flexibility to continue to attract and retain Non-Executive Directors of appropriate skill, expertise and calibre, and to enable The Lottery Corporation Board to grow to an appropriate size with the appointment of additional Non-Executive Directors. It is not proposed that the whole of the annual aggregate Non-Executive Director fee amount initially will be used.

Annual Non-Executive Directors' fees, inclusive of superannuation, currently agreed to be paid by The Lottery Corporation are \$580,350 to the Chairman and \$186,150 to each other Non-Executive Director.

In addition, the following The Lottery Corporation Board Committee fees (inclusive of superannuation) will be paid annually:

Figure 22. The Lottery Corporation Board Committee fees

| THE LOTTERY CORPORATION BOARD COMMITTEE | COMMITTEE CHAIRMAN'S FEES | COMMITTEE MEMBER'S FEES |
|---|---------------------------|-------------------------|
| Audit Committee | \$54,750 | \$24,090 |
| Risk and Compliance Committee | \$49,275 | \$21,900 |
| People and Remuneration Committee | \$49,275 | \$21,900 |
| Nomination Committee | No fees payable | No fees payable |

3.7.7.3 Other information about The Lottery Corporation Directors' interests and benefits

The Lottery Corporation Directors may be reimbursed for travel and other expenses incurred in attending to The Lottery Corporation's affairs. Directors may be paid such additional remuneration as The Lottery Corporation Board decides is appropriate where a The Lottery Corporation Director performs extra services, makes any special exertions for the benefit of The Lottery Corporation or otherwise performs services which in the opinion of The Lottery Corporation Board are outside the scope of the duties of a Non-Executive Director. There are no retirement benefits paid to The Lottery Corporation Directors, other than statutory entitlements.

3.7.7.4 The Lottery Corporation Directors' deeds of indemnity, insurance and access

The Lottery Corporation will enter into deeds of indemnity, insurance and access with each of The Lottery Corporation Directors.

It is expected that, in summary, each deed will provide The Lottery Corporation Directors with a right of access to The Lottery Corporation Board papers and requires The Lottery Corporation to indemnify The Lottery Corporation Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by The Lottery Corporation Director as an officer of The Lottery Corporation or of a related body corporate on the terms set out in the deed.

It is also intended that the deeds of indemnity, insurance and access will require The Lottery Corporation to maintain a directors and officers insurance policy insuring a The Lottery Corporation Director (among others) against liability as a director and officer of The Lottery Corporation and its related bodies corporate from the appointment date until the later of seven years after a The Lottery Corporation Director ceases to hold office as a Director of The Lottery Corporation or a Director of a related body corporate or the date any relevant proceedings commenced during the seven-year period have been finally resolved.

3.7.7.5 The Lottery Corporation Directors' interests in The Lottery Corporation Shares

The Lottery Corporation Directors are not required by The Lottery Corporation Constitution to hold any shares in The Lottery Corporation.

The Lottery Corporation Board has adopted a Non-Executive Director Shareholding Policy from The Lottery Corporation Listing requiring:

- each Non-Executive Director to hold shares in The Lottery Corporation equivalent in value to the annual Non-Executive Director base fee as fixed by the Board from time to time; and
- the Chairman to hold shares in The Lottery Corporation equivalent in value to two times the annual Non-Executive Director base fee as fixed by the Board from time to time,

within three years of appointment or by 1 June 2025, whichever is later.

The Lottery Corporation Directors' shareholdings will be notified to the ASX on The Lottery Corporation Listing. On implementation of the Demerger, The Lottery Corporation Directors are expected to hold (either personally or through entities associated with The Lottery Corporation Director) one The Lottery Corporation Share for every Tabcorp Share they hold as at the Record Date. Refer to Section 7.1.3 for more information regarding the number of Tabcorp Shares held by The Lottery Corporation Directors.

INFORMATION ON THE LOTTERY CORPORATION *continued*

3.7.8 Executive remuneration

This section sets out the proposed executive remuneration for the MD & CEO, CFO and other ELT of The Lottery Corporation, subject to any changes as determined from time to time by the Directors of The Lottery Corporation, and subject to law.

3.7.8.1 *Managing Director and Chief Executive Officer*

| Term | Description |
|------------------------------------|--|
| Employer | Ms Sue van der Merwe is currently employed by Tabcorp as Managing Director Lotteries and Keno. It is expected that as at the date of Listing, Ms van der Merwe will be employed by The Lottery Corporation as the Managing Director and Chief Executive Officer of The Lottery Corporation Group. |
| Fixed Remuneration | Under the terms of her employment with The Lottery Corporation, Ms van der Merwe is entitled to annual fixed remuneration of \$1,500,000, which includes base salary and superannuation contributions. Ms van der Merwe participates in a legacy defined benefit superannuation scheme. |
| Short Term Performance Plan (STPP) | <p>Ms van der Merwe is eligible to participate in The Lottery Corporation STPP at the following levels:</p> <ul style="list-style-type: none"> Target: 100% of fixed remuneration. This is realised when on-target company and individual performance levels are achieved. Stretch: 150% of fixed remuneration. This is realised when stretch levels of company and individual performance levels are achieved. <p>STPP outcomes will be based on The Lottery Corporation's and Ms van der Merwe's own annual individual performance as set by The Lottery Corporation's Board annually. Any STPP award will be delivered in equal portions of cash and deferred restricted The Lottery Corporation Shares. If Ms van der Merwe becomes entitled to receive a STPP award, the Restricted Shares will be allocated after the conclusion of the performance year and will be restricted for two years from the date of allocation. Further details regarding the deferred component of the STPP are set out in Section 3.7.9.</p> |
| Long Term Performance Plan (LTPP) | <p>Ms van der Merwe is eligible to participate in The Lottery Corporation LTPP. It is expected that Ms van der Merwe will receive a 2022 LTPP Offer on the terms outlined in Section 3.7.9.1.</p> <p>Under The Lottery Corporation 2022 LTPP Offer, it is expected that Ms van der Merwe will receive a maximum grant of performance rights with a face value at the time of the grant of \$3,000,000 (200% of fixed remuneration) on the following terms. Vesting of these performance rights will be subject to performance conditions over a three-year performance period. Vesting of 75% of the performance rights will be based on The Lottery Corporation's relative three-year total shareholder return (TSR) performance. Vesting of the remaining 25% will be subject to a second measure, which will be determined by The Lottery Corporation Board. Details of the measures and performance conditions and the relative TSR peer group will be disclosed in The Lottery Corporation's 2023 (FY23) Remuneration Report included as part of the 2023 (FY23) Annual Report.</p> |
| Minimum shareholding requirement | Ms van der Merwe is required to acquire and maintain a minimum shareholding in The Lottery Corporation Shares equal in value to 200% of her fixed remuneration, with compliance to be achieved within five years from the Implementation Date. See Section 3.7.8.4 for further details. |

| Term | Description |
|-------------|---|
| Termination | <p>Ms van der Merwe's employment with The Lottery Corporation may be terminated by The Lottery Corporation upon giving 12 months' notice. Ms van der Merwe is required to provide The Lottery Corporation with six months' notice of termination. The Lottery Corporation may elect to make payment in lieu of part or all of her notice period.</p> <p>Ms van der Merwe's employment may also be terminated by The Lottery Corporation without notice in circumstances including serious or wilful misconduct, serious negligence, serious or persistent breach of the employment agreement, or an act which brings The Lottery Corporation into disrepute.</p> <p>On termination of employment, Ms van der Merwe will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to applicable law.</p> <p>Any payments made to Ms van der Merwe upon termination of her employment (with the exception of statutory obligations) are subject to the termination benefits provisions under the Corporations Act.</p> |

3.7.8.2 Chief Financial Officer

| Term | Description |
|------------------------------------|---|
| Employer | Mr Adam Newman is currently employed by Tabcorp as Chief Financial Officer. It is expected that as at the date of Listing, Mr Newman will be employed by The Lottery Corporation as the Chief Financial Officer of The Lottery Corporation Group. |
| Fixed Remuneration | Under the terms of his employment with The Lottery Corporation, Mr Newman is entitled to annual fixed remuneration of \$824,000, which includes base salary and superannuation contributions. |
| Short Term Performance Plan (STPP) | <p>Mr Newman is eligible to participate in The Lottery Corporation STPP at the following levels:</p> <ul style="list-style-type: none"> Target: 50% of fixed remuneration. This is realised when on-target company and individual performance levels are achieved. Stretch: 100% of fixed remuneration. This is realised when stretch levels of company and individual performance levels are achieved. <p>STPP outcomes will be based on The Lottery Corporation's and Mr Newman's own annual individual performance as set by The Lottery Corporation's Board annually. Any STPP award will be delivered in cash (75% of the award) and deferred restricted The Lottery Corporation Shares (25% of the award). If Mr Newman becomes entitled to receive a STPP award, the Restricted Shares will be allocated after the conclusion of the performance year and will be restricted for two years from the date of allocation. Further details regarding the deferred component of the STPP are set out in Section 3.7.9.</p> |

INFORMATION ON THE LOTTERY CORPORATION *continued*

| Term | Description |
|-----------------------------------|--|
| Long Term Performance Plan (LTPP) | <p>Mr Newman is eligible to participate in The Lottery Corporation LTPP. It is expected that Mr Newman will receive a 2022 LTPP Offer on the terms outlined in Section 3.7.9.1.</p> <p>Under The Lottery Corporation 2022 LTPP Offer, it is expected that Mr Newman will receive a maximum grant of performance rights with a face value at the time of the grant of \$824,000 (100% of fixed remuneration) on the following terms. Vesting of these performance rights will be subject to performance conditions over a three-year performance period. Vesting of 75% of the performance rights will be based on The Lottery Corporation's relative three-year TSR performance. Vesting of the remaining 25% will be subject to a second measure, which will be determined by The Lottery Corporation Board. Details of the measures and performance conditions and the relative TSR peer group will be disclosed in The Lottery Corporation's 2023 (FY23) Remuneration Report included as part of the 2023 (FY23) Annual Report.</p> |
| Minimum shareholding requirement | <p>Mr Newman is required to acquire and maintain a minimum shareholding in The Lottery Corporation Shares equal in value to 100% of his fixed remuneration, with compliance to be achieved within five years from the Implementation Date. See Section 3.7.8.4 for further details.</p> |
| Termination | <p>Mr Newman's employment with The Lottery Corporation may be terminated by The Lottery Corporation upon giving nine months' notice. Mr Newman is required to provide The Lottery Corporation with six months' notice of termination. The Lottery Corporation may elect to make payment in lieu of part or all of his notice period.</p> <p>Mr Newman's employment may also be terminated by The Lottery Corporation without notice in circumstances including serious or wilful misconduct, serious negligence, serious or persistent breach of the employment agreement, or an act which brings The Lottery Corporation into disrepute.</p> <p>On termination of employment, Mr Newman will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to applicable law.</p> <p>Any payments made to Mr Newman upon termination of his employment (with the exception of statutory obligations) are subject to the termination benefits provisions under the Corporations Act.</p> |

3.7.8.3 *The Lottery Corporation Executive Leadership Team*

Members of the ELT of The Lottery Corporation will be employed under individual employment agreements by various The Lottery Corporation Group companies including L&K Operations Pty Ltd and Golden Casket Lottery Corporation Limited. These agreements provide an entitlement to receive annual fixed remuneration, which is inclusive of superannuation and other benefits.

Members of the ELT will be eligible to participate in The Lottery Corporation's STPP, subject to the terms of that plan. STPP Performance measures are set by The Lottery Corporation Board on recommendation from the MD & CEO and in line with The Lottery Corporation strategic short and long-term objectives. STPP performance measures are grouped under financial, strategic, operational excellence (including risk and compliance), customer and people and culture categories. The overarching STPP performance hurdle is financial based and sets the STPP pool. At least 50% of the ELT member's scorecard is based on financial measures.

It is expected that members of the ELT will be invited to participate in The Lottery Corporation's LTPP on terms outlined in Section 3.7.9.1. It is anticipated that The Lottery Corporation LTPP Offer for 2022 will generally replicate the current Tabcorp LTPP structure in the first year. In making this decision, The Lottery Corporation Board determined that the current LTPP structure continues to be relevant for The Lottery Corporation and ensures simplicity and clarity during the transition. The Lottery Corporation LTPP structure will be reviewed by The Lottery Corporation Board in the first year of its operation to ensure it remains fit for purpose and continues to motivate executives to achieve long-term shareholder value accretive measures.

The ELT employment agreements with The Lottery Corporation provide for notice of termination provisions of six months (when initiated by the ELT member) and nine months when initiated by The Lottery Corporation (excluding the MD & CEO). The Lottery Corporation may also terminate employment without notice in circumstances including serious or wilful misconduct, serious negligence, serious or persistent breach of the employment agreement, or an act which brings The Lottery Corporation into disrepute.

The Lottery Corporation may also provide ELT members with a payment in lieu of all or part of their notice period.

On termination of employment, members of the ELT will be subject to a restraint of trade period for 12 months. The enforceability of the restraint clauses is subject to applicable law.

Payments made to ELT members upon termination of employment may be subject to the terminations benefit provisions under the Corporations Act.

3.7.8.4 Executive Shareholding Policy

The Lottery Corporation Board has adopted an Executive Shareholding Policy from Listing applicable to The Lottery Corporation ELT members to ensure that the interests of executives, The Lottery Corporation and shareholders are aligned.

Under the Policy, the MD & CEO is required to hold the equivalent of 200% of the value of her annual fixed remuneration in The Lottery Corporation Shares. Other members of the ELT are required to hold the equivalent of 100% of the value of their annual fixed remuneration in The Lottery Corporation Shares. The minimum shareholding must be achieved within five years from the Implementation Date or appointment, whichever is later.

3.7.9 The Lottery Corporation employee equity incentive arrangements

The Lottery Corporation has established The Lottery Corporation Equity Incentive Plan (**Plan**) to assist in the motivation, retention and reward of members of the ELT and other employees. The Plan is designed to align the interests of employees with the interests of The Lottery Corporation Shareholders by providing an opportunity for employees to receive an equity interest in The Lottery Corporation. The Plan may be subject to further refinement by the Board from time to time.

The Plan provides flexibility for The Lottery Corporation to offer rights, options and/or Restricted Shares as incentives, subject to the terms of individual offers and the satisfaction of performance and/or service conditions determined by The Lottery Corporation Board from time to time. It also provides The Lottery Corporation the ability to invite employees to acquire The Lottery Corporation Shares through a salary sacrifice arrangement.

INFORMATION ON THE LOTTERY CORPORATION continued

The key terms of the Plan are outlined in the table below.

| Term | Description |
|--------------------------------------|--|
| Eligibility to participate in offers | <p>The Lottery Corporation Board may make equity-based incentive grant offers at its discretion, subject to any additional requirements for further shareholder approval. The MD & CEO will be the only Director of The Lottery Corporation that is eligible to participate in the Plan and has not received any awards under The Lottery Corporation Plan previously.</p> <p>The Lottery Corporation Board sets the terms and conditions on which it will offer an equity-based incentive grant in an individual offer document to participants and key details of offers to key management personnel will be outlined in relevant annual remuneration reports.</p> |
| Restrictions on dealing | <p>Participants must not sell, transfer, encumber, hedge or otherwise deal with incentive securities prior to vesting or while restricted unless otherwise permitted by The Lottery Corporation Board or the dealing is required by law.</p> <p>Under the Securities Trading Policy, senior management may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are issued and are subject to a disposal restriction.</p> |
| Cessation of employment | <p>The Lottery Corporation Board has discretion to determine the treatment of Incentive Securities on cessation of employment, including forfeiting, lapsing or vesting incentive securities, and the offer letter may specify a treatment for the particular award.</p> <p>Generally, all securities held will be forfeited on resignation, or dismissal for cause (such as in the case of fraud, wilful misconduct and dishonesty) or significant underperformance, unless the Board determines otherwise.</p> <p>If a participant ceases employment in other circumstances (such as in the case of redundancy, illness, retirement, death or termination by mutual agreement), The Lottery Corporation Board has discretion to determine whether some or all securities will remain on foot subject to the original performance/vesting period(s) and performance conditions, or lapse, having regard to the circumstances.</p> |
| Change of control | <p>The Lottery Corporation Board has discretion to determine whether some or all of the unvested or restricted incentive securities held by plan participants will vest, cease to be subject to restrictions, remain under restriction or remain on foot subject to the original conditions. The Board also has the discretion to determine the treatment of vested incentive securities.</p> <p>Where there is an actual change in the control of The Lottery Corporation, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> • Restricted Shares will vest in full and any restrictions on dealing will cease to have effect; and • a pro-rata portion of all other unvested rights and options will immediately vest. |

| Term | Description |
|---|--|
| Clawback and preventing inappropriate benefits | <p>Securities that are granted under the Plan are subject to malus and clawback provisions that enable The Lottery Corporation Board to adjust unpaid and/or unvested awards (including to reduce to zero) where it is appropriate to do so in light of adverse events or information. For example, this may include where the participant has engaged in an act which has brought a The Lottery Corporation Group entity into disrepute, the participant has breached their obligations to The Lottery Corporation Group (including breaching the code of conduct) or there has been a significant unexpected or unintended consequence or outcome that impacts The Lottery Corporation Group.</p> <p>The Lottery Corporation Board may also delay or suspend vesting of incentive securities or extend the restrictions on Restricted Shares where a participant is under investigation by The Lottery Corporation or an external third party (including a regulator).</p> <p>If these adverse events occurred or adverse information becomes available after the equity has vested and shares or cash have been awarded, the Board may require participants to repay all or part of the value of the award.</p> |
| Discretions regarding vesting | <p>The Lottery Corporation Board has discretions to:</p> <ul style="list-style-type: none"> • delay vesting or extend restrictions on incentive securities where vesting would be prohibited or otherwise be inappropriate in the circumstances; and • adjust vesting outcomes based on relevant factors including the personal performance of the participant and the performance of The Lottery Corporation. |
| Divestment of a material business or subsidiary | Where The Lottery Corporation divests a material business or subsidiary, The Lottery Corporation Board may make special rules that apply to some or all of the participants' incentive securities. |
| Rights issues, bonus issues, corporate actions, reconstructions | <p>A participant cannot participate in new issues of securities in relation to their unvested rights or options.</p> <p>However, the Plan includes rules dealing with rights issues, bonus issues, corporate actions and other capital reconstructions that enable or require certain adjustments to be made to these awards.</p> |
| Other terms | No loan is to be provided to the participants in relation to the acquisition of performance rights or shares allocated under the Plan. |

The Lottery Corporation Board is committed to reviewing the remuneration mix for the ELT to ensure that it continues to be appropriate for The Lottery Corporation as a newly listed entity.

The Lottery Corporation will operate several equity-based plans under the Equity Incentive Plan Rules. The table below outlines the key terms of these equity plans, which may change from time to time following the Implementation Date:

INFORMATION ON THE LOTTERY CORPORATION continued

| Plan | Participants | Description |
|------------------------|---|--|
| LTPP | MD & CEO, ELT and select Senior Leaders at the discretion of the Board. | <p>The LTPP is focused on the delivery of long-term shareholder value creating goals, with rewards based on The Lottery Corporation performance against two key measures over a three-year performance period. The expected details of the initial 2022 offer under the LTPP are set out in Section 3.7.9.1.</p> <p>Awards granted under the LTPP are at risk, variable and subject to Board discretion.</p> <p>The LTPP provides the Board with broad clawback and malus powers, if required.</p> <p>See Section 3.7.9.1 for further details.</p> |
| STPP Restricted Shares | MD & CEO, ELT and select Senior Leaders | <p>For the MD & CEO, 50% of any applicable STPP award will be provided in the form of Restricted The Lottery Corporation Shares.</p> <p>For other members of the ELT, 25% of any applicable STPP award will be provided in the form of Restricted The Lottery Corporation Shares.</p> <p>The maximum face value of the MD & CEO's Restricted The Lottery Corporation Shares is 50% of her maximum STPP opportunity, being \$1,125,000 (at the date the Restricted Shares are granted). The actual face value of the MD & CEO's Restricted The Lottery Corporation Shares will be dependent on The Lottery Corporation and her own individual performance over the financial year.</p> <p>The number of Restricted The Lottery Corporation Shares granted as the deferred STPP award will be determined by dividing the face value of the grant by The Lottery Corporation Share price at the date of grant.</p> <p>STPP Restricted Shares are allocated at no cost to the participant and are deferred for two years. Release of these Shares is subject to the individual remaining employed with The Lottery Corporation until the restriction end date.</p> <p>Restricted Shares granted under the STPP are at risk and release is subject to service conditions and Board discretion.</p> <p>The STPP provides the Board with broad clawback and malus powers, if required and promoted retention of senior employees.</p> <p>It is anticipated that the first allocation of STPP Restricted Shares will be made in relation to FY22 STPP awards and is expected to be made after the FY22 results announcement (and in any event, within 12 months of Listing).</p> |

| Plan | Participants | Description |
|---|---|---|
| 2022 Retention Plan | MD & CEO, ELT and select senior leaders | <p>As set out in Section 5.7, it is intended that The Lottery Corporation will provide a new 2022 Retention Plan offer in the form of Restricted The Lottery Corporation Shares, to The Lottery Corporation participants who forfeited 2021 Tabcorp Retention Plan Shares.</p> <p>The face value of the MD & CEO's Restricted The Lottery Corporation Shares under the 2022 Retention Plan will match the face value of the Tabcorp Retention Plan award that will be forfeited.</p> <p>The number of Restricted The Lottery Corporation Shares granted under the 2022 Retention Plan will be determined by dividing the face value of the grant by The Lottery Corporation Share price at the date of grant.</p> <p>Restricted Shares are allocated at no cost to the participant and the restrictions will be released at the end of July 2023. Release of these Shares is subject to the individual remaining employed with The Lottery Corporation until the restriction end date.</p> <p>Restricted Shares granted under the Retention Plan are at risk and release is subject to service conditions and Board discretion.</p> <p>The Retention Plan provides the Board with broad clawback and malus powers, if required and promoted retention of senior employees.</p> <p>It is anticipated that the Retention Plan awards will be allocated shortly after Listing (and in any event, within 12 months of Listing).</p> |
| General Employee Share Plan (GESP) | Offered to all | <p>The GESP will provide an opportunity for all eligible employees to acquire The Lottery Corporation Shares on a tax-exempt or tax deferred basis.</p> <p>The GESP encourages employee share ownership, to align their interests with The Lottery Corporation Shareholders and to provide a basis for employee engagement, motivation and retention.</p> |

3.7.9.1 Long Term Performance Plan offer

Within 12 months after The Lottery Corporation Listing, The Lottery Corporation intends to make an LTPP grant of performance rights under the Plan to Ms van der Merwe (MD & CEO) and other members of The Lottery Corporation ELT (**LTPP Offer**).

The expected key terms of the FY2022 LTPP Offer under the Plan are set out in the below table, but the actual terms of grant may vary following the Implementation Date.

| Term | Description |
|--|---|
| Eligibility to participate in the LTPP Offer | It is intended that offers will be made at The Lottery Corporation Board's discretion, based on its determination of the eligible team members and subject to any additional requirements for further shareholder approval. It is expected that the LTPP Offer will be made to members of the ELT and other selected senior leaders. |
| Offers under the Plan | <p>The Lottery Corporation Board sets out the terms and conditions on which it will offer an equity-based incentive grant in an individual offer document to participants. Offers granting performance rights must be accepted by a participant and can be made on an opt in or opt out basis.</p> <p>The offer will be made after The Lottery Corporation Listing (and no later than six months from The Lottery Corporation Listing), having regard to trading blackout periods. Shareholder approval of the MD & CEO's LTPP Offer will be sought at the 2022 The Lottery Corporation Annual General Meeting.</p> |

INFORMATION ON THE LOTTERY CORPORATION continued

| Term | Description | | | | | | | | | | |
|--|---|-------------------|------------------------------------|-----------------------------------|----|-----------------------------|-------|--|---|-----------------------------|-----|
| Grant of Performance Rights | <p>The LTPP Offer is a grant of performance rights. A performance right is a conditional right to acquire one share in The Lottery Corporation, subject to the achievement of the specified performance measures and vesting conditions. Performance rights are granted at no cost to the participant, and are non-transferable, except with The Lottery Corporation Board approval.</p> <p>The Lottery Corporation uses performance rights for LTPP awards because they create share price alignment between executives and ordinary shareholders but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the performance rights vest.</p> | | | | | | | | | | |
| Quantum of grants | <p>The number of performance rights granted to a participant will be calculated by dividing the maximum face value (at the grant date) of the grant by the five-day volume-weighted average trading share price (VWAP) of The Lottery Corporation Shares up to but not including the grant date.</p> <p>It is expected that Ms van der Merwe will be granted a maximum number of performance rights with a face value of \$3,000,000. The exact number of Performance Rights granted will be subject to the five-day VWAP mentioned above.</p> <p>It is expected that Mr Newman will be granted a maximum number of performance rights with a face value of \$824,000. The exact number of Performance Rights granted will be subject to the five-day VWAP mentioned above.</p> | | | | | | | | | | |
| Performance Measures and Targets | <p>The performance rights are subject to two independent performance measures:</p> <ul style="list-style-type: none"> 75% of the performance rights – subject to relative total shareholder return (Relative TSR) performance. Relative TSR is measured by considering the change in The Lottery Corporation Share price over the relevant performance period as well as any dividends paid out during this period. The comparator group is the ASX 100 companies, excluding organisations operating in the Metals and Mining, and Oil and Gas sectors. This condition was chosen as it provides alignment with shareholder value creation; and 25% of the performance rights – subject to a second financial measure which will be determined by The Lottery Corporation Board following the Demerger. <p>Details of the measures and performance conditions and the relative TSR peer group will be disclosed in The Lottery Corporation's 2023 (FY23) Remuneration Report included as part of the 2023 (FY23) Annual Report.</p> <p>Vesting of the Relative TSR component (75% of performance rights) will be determined based on the following vesting schedule:</p> <table> <tr> <th>Performance level</th><th>% of total performance rights vest</th></tr> <tr> <td>Below 50th percentile</td><td>0%</td></tr> <tr> <td>50th percentile</td><td>37.5%</td></tr> <tr> <td>Between 50th and 75th percentile</td><td>Straight-line vesting between 37.5% and 75%</td></tr> <tr> <td>75th percentile</td><td>75%</td></tr> </table> <p>As soon as practicable following the end of the performance period, The Lottery Corporation Board will test the performance conditions and determine if and to what extent the performance conditions have been satisfied. Any performance rights that do not vest will lapse.</p> <p>Participants will be allocated one The Lottery Corporation Share for each performance right that vests (and if required, is exercised) or, at The Lottery Corporation Board's discretion, they may be paid an equivalent cash amount.</p> | Performance level | % of total performance rights vest | Below 50 th percentile | 0% | 50 th percentile | 37.5% | Between 50 th and 75 th percentile | Straight-line vesting between 37.5% and 75% | 75 th percentile | 75% |
| Performance level | % of total performance rights vest | | | | | | | | | | |
| Below 50 th percentile | 0% | | | | | | | | | | |
| 50 th percentile | 37.5% | | | | | | | | | | |
| Between 50 th and 75 th percentile | Straight-line vesting between 37.5% and 75% | | | | | | | | | | |
| 75 th percentile | 75% | | | | | | | | | | |

| Term | Description |
|--|--|
| Performance period | Relative TSR: September 2022 to September 2025. Second measure to be determined post Demerger. |
| Voting and dividend entitlements | Performance rights do not carry any voting rights prior to vesting. There is no entitlement to dividends in relation to the performance rights. |
| Restrictions on dealing | Participants must not sell, transfer, encumber, hedge or otherwise deal with the performance rights prior to vesting unless otherwise permitted by The Lottery Corporation Board or the dealing is required by law. Under the Securities Trading Policy, senior management may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are issued as part of the LTPP and are subject to a disposal restriction. Compliance with the policy is a condition of participation in the LTPP plan. Once vested, participants will be free to deal with the shares comprising the LTPP Offer, subject to the requirements of the Securities Trading Policy. |
| Cessation of employment | The Lottery Corporation Board has discretion to determine whether some or all unvested performance rights will vest, remain on foot subject to the original performance/vesting period(s) and performance conditions, or lapse, having regard to the circumstances. Generally, all performance rights will be forfeited on resignation, or dismissal for cause (such as in the case of fraud, wilful misconduct and dishonesty) or significant underperformance, unless the Board determines otherwise. If a participant ceases employment in other circumstances (such as in the case of redundancy, illness, retirement, death or termination by mutual agreement), a pro rata number of performance rights will remain on foot (based on the portion of the LTPP service period that the participant was employed) and be subject to the original terms and conditions (including performance). |
| Change of control | The Lottery Corporation Board has discretion to determine whether some or all of the unvested performance rights held by plan participants will vest, remain on foot subject to the original performance/vesting period(s) and performance conditions, or lapse, having regard to all relevant circumstances. |
| Clawback and preventing inappropriate benefits | The performance rights are subject to malus and clawback provisions that enable The Lottery Corporation Board to adjust unpaid and/or unvested awards (including to reduce to zero) where there are adverse events and where it is appropriate to do so. If these adverse events occurred or adverse information becomes available after the Performance Rights have vested and shares or cash have been awarded, the Board may require participants to repay all or part of the value of the award. |

3.7.9.2 Other information

Details of any securities issued under the Plan will be published in The Lottery Corporation Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14 or that a waiver from the requirement in ASX Listing Rule 10.14 has been obtained.

Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after Listing (other than the Managing Director and Chief Executive Officer of The Lottery Corporation) will not participate in the Plan until approval is obtained under ASX Listing Rule 10.14¹⁸.

¹⁸ In summary, this means that if any other directors of The Lottery Corporation or associates of directors (or any other person ASX determines due to their relationship with The Lottery Corporation or those persons) become entitled to participate in an issue of securities under the Plan, they will not be able to participate unless The Lottery Corporation Shareholders approve the issue of those securities.

3.8 Employees and industrial relations

3.8.1 Overview

As at 14 February 2022, it is expected that The Lottery Corporation will have 742 total employees. A breakdown of headcount by business unit is set out below. The number of employees is likely to increase closer to the Implementation Date.

Figure 23. Estimated The Lottery Corporation number of employees by business unit

| BUSINESS UNIT | TOTAL HEADCOUNT |
|--|-----------------|
| Customer and Marketing | 195 |
| Channel | 124 |
| Technology ¹⁹ | 212 |
| Commercial operations | 59 |
| Corporate and other business units ²⁰ | 152 |
| Total | 742 |

3.8.2 Industrial relations

Employee relations in respect of the entities that comprise The Lottery Corporation are managed at the enterprise level. One enterprise agreement is in place in the Lotteries business, *The Lott Enterprise Agreement 2020*, which covers approximately 80 employees as at 31 December 2021. After the Demerger, this agreement will continue to apply and operate in relation to relevant staff, according to its terms and applicable legislation.

The Lotteries and Keno business has not experienced any material industrial relations disputes in the last five years.

3.9 Information technology

Tabcorp currently has a distributed technology environment supporting its business operations, managed through internal teams and third party service providers. Tabcorp also has agreements in place with third party service providers, hardware partners and software partners for its technology systems and infrastructure.

Business facing systems currently used by The Lottery Corporation to run Lotteries operations will remain largely unchanged post-separation, other than infrastructure separation. Separating systems used to run Keno operations are more complex, requiring the separation of existing Keno customer account operations from Wagering operations.

The corporate technology systems used to operate Tabcorp's shared functions (for example email, video conferencing, Oracle Enterprise Resource Planning (for financials), payroll, accounts payable and accounts receivable) will be replicated for The Lottery Corporation in a like-for-like manner as part of the Demerger process, with most of the existing systems to remain unchanged post-Demerger.

Networks and infrastructure, which currently operate as a shared service across Tabcorp, will be replicated for The Lottery Corporation on a like-for-like basis, following a similar approach to corporate systems. This will ensure operational stability post-Demerger and remove the need for long-term services arrangements beyond the transition period.

¹⁹ Based on Demerger day-1 requirements. This is expected to increase to approximately 285 employees following the expiry of the TSA.

²⁰ Corporate and other business units include Corporate, Legal and Risk, Finance, and People and Culture.

The transition of corporate systems, networks and infrastructure is expected to occur during 2022 and 2023, with the process scheduled to complete within 14 months after Demerger implementation.

New Tabcorp will provide, or will procure the provision or use of, or access to, technology systems, network and infrastructure to The Lottery Corporation in the transition period following the Implementation Date, in accordance with the Transitional Services Agreement (**TSA**). On conclusion of the TSA, separation of current Tabcorp systems will be completed, and The Lottery Corporation is expected to have made arrangements for ongoing support of technology previously provided by New Tabcorp under the TSA. It is expected that these arrangements and plans would also include any new systems or systems activity. Further information about the TSA is set out in Section 7.7.5.

One of The Lottery Corporation's major data centres is situated and is expected to continue being situated on Tabcorp property in the short term. During this time, access to the data centre will be provided to The Lottery Corporation under a commercial arrangement.

3.10 Corporate responsibility

The Lottery Corporation acknowledges its role in building a better tomorrow and driving positive changes for its people, the community and the environment. The Lottery Corporation is strongly committed to responsible gambling initiatives, underpinned by an intent to operate as a purpose-led organisation. The Lottery Corporation is continuing to evolve and refine its corporate responsibility strategy up to and beyond the Demerger, with the strategy to cover key areas including products, community, people and environment.

3.10.1 Products

The Lottery Corporation is committed to delivering its products responsibly and ensuring its customers can play its games in a safe, secure and friendly environment. The Lottery Corporation supports a well regulated and responsible industry characterised by integrity at all levels.

The Lottery Corporation recognises the importance of having a strong regulatory framework underpinning the industry in which it operates and is committed to complying with the requirements of relevant legislation in all jurisdictions in which it operates, including those relating to minors, advertising and promotions, provision of self-exclusion and Responsible Play Codes of Conduct. Through its Responsible Play microsites for Keno and The Lott, The Lottery Corporation provides customers with information and resources to help them make informed decisions about how they use its products.

The Lottery Corporation engages with governments, regulators, industry and community stakeholder groups to enhance its understanding of responsible play and relevant research, and to promote a shared commitment to actively promote responsible play.

The Lottery Corporation's Responsible Play lotteries programs have achieved the highest World Lottery Association accreditation (Level 4), ensuring legislative compliance, maintaining best practice in the service of lotteries and Keno, and providing games that are enjoyable for its customers.

3.10.2 Community

The Lottery Corporation is continually looking for opportunities to make a positive difference, with a focus on strengthening the communities in which it operates. The Lottery Corporation also recognises its role in supporting the growth of industry partners through its mutually beneficial relationships with lottery retail outlets and Keno licensed venues.

Australia's official lotteries have funded vital health infrastructure, services, and research across Australia for more than a century. The Lottery Corporation intends to continue this proud legacy of community support. In FY21, The Lott contributed more than \$1.5 billion to the community via State lottery taxes and donations.

Keno has also shown a strong commitment to the Australian community by supporting clubs and other licensed venues, as well as Disaster Relief Australia which helps communities prepare and recover from bushfires and other forms of disaster.

INFORMATION ON THE LOTTERY CORPORATION *continued*

The Lottery Corporation's Charitable Games Division supports the 50-50 Foundation, a registered charity, to provide fundraising opportunities for Australian charities and sporting clubs through Play for Purpose, Australia's Sports and Charity Raffle, and the 50-50 Charity Raffle. In FY21, the Charitable Games Division supported more than 700 charities and sporting organisations, raising over \$2 million.

3.10.3 People

The Lottery Corporation aims to be a great workplace for its people and to support its people to achieve brighter futures. The Lottery Corporation believes that a more diverse workforce leads to better decision making and better long-term outcomes for its businesses and is focused on fostering an inclusive workplace and on improving diversity at all levels, as set out in its Inclusion and Diversity Policy in Section 3.7.6.4. The Lottery Corporation is also committed to ensuring that pay is fair and equitable across all demographics and intends to set measurable gender diversity targets for its Board and senior leadership cohort.

The Lottery Corporation cares about its customers, team members, and business partners, and is committed to providing a safe environment in its workplaces. Lottery retail outlets and Keno licensed venues have implemented systems and procedures to effectively manage health, safety and wellbeing risks.

3.10.4 Environment

The Lottery Corporation recognises it has an impact on the environment, directly through its operations, and indirectly through its value chain. The Lottery Corporation is committed to minimising the environmental impact of its operations and its products and services. The Lottery Corporation also recognises that climate change is a significant global challenge and is committed to identifying and managing climate-related risks and opportunities across its business, and to reducing its greenhouse gas emissions.

3.11 Regulatory framework for The Lottery Corporation

The Lottery Corporation's operations are underpinned by the State and Territory lotteries and Keno licences and approvals it holds. These licences and approvals impose various conditions and requirements on The Lottery Corporation's operations which are described in Section 8.

3.12 Capital structure

3.12.1 Capital structure

At the time the Demerger is implemented, it is currently anticipated that The Lottery Corporation will have opening Net Debt in the range of \$2.1 billion to \$2.3 billion (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date, and will differ from the amount included in The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 disclosed in Section 3.13.8.

The Lottery Corporation currently intends to target Net Debt to EBITDA²¹ of 3.5x to 4.0x, and currently intends to target a strong BBB investment grade credit rating. The Lottery Corporation intends to hold a public credit rating at the time of the Demerger.

The Lottery Corporation will only have ordinary shares on issue and no other equity securities at the time of the Demerger.

²¹ Net Debt to EBITDA metric based on EBITDA excluding impairment and significant items.

3.12.2 Dividend policy

The Lottery Corporation's dividend policy will be determined by The Lottery Corporation Board at its discretion and may change over time.

The Lottery Corporation Board initially intends to target a dividend payout ratio of 70% to 90% of net profit after tax excluding significant items. This dividend policy has regard to The Lottery Corporation's earnings and cash flow generation, available franking credits, target credit metrics as well as expected capital and investment requirements.

The Lottery Corporation currently intends to frank its dividends to the extent practicable. No assurance can be given in relation to the level of future dividends or the franking of such dividends, as these will depend on future events and circumstances, including business performance. The extent to which a dividend can be franked will depend on The Lottery Corporation's franking account balance which will depend on the amount of Australian income tax paid by The Lottery Corporation after the Demerger. The Lottery Corporation's franking account balance will be nil immediately following the Demerger.

To assist in providing a tax efficient distribution to shareholders of the Tabcorp Group's FY22 final dividend, it is currently anticipated that New Tabcorp will pay a final FY22 dividend in or around September 2022 with reference to the five months of The Lottery Corporation earnings prior to the Demerger in addition to the 2H22 earnings of New Tabcorp, noting that the payment of any dividend will be subject to law, business performance, and all necessary Board approvals. **In order to receive this dividend, you must be a shareholder of New Tabcorp as at the dividend record date, which is anticipated to be in or around September 2022.**

It is currently expected that any FY22 final dividend to be paid by New Tabcorp will be determined in accordance with the target dividend payout ratio of Tabcorp as at the date of this Demerger Booklet (being 70% to 80% of net profit after tax excluding significant items, on an annual basis).

Subject to law, business performance and all necessary Board approvals, The Lottery Corporation currently anticipates that it is likely to pay its first dividend in or around March 2023, which will be an interim dividend for 1H23, with reference to the seven months of earnings post Demerger.

The proposed dates set out above are subject to change. Payment of any dividend is subject to relevant Board approval, and the key dates for each dividend will be confirmed to the ASX at the appropriate time.

The Lottery Corporation Constitution contains provisions that facilitate the operation of a DRP. If The Lottery Corporation Board decides to activate the DRP, it will provide further details to The Lottery Corporation Shareholders prior to the relevant dividend record date, including details of the elections that may be made in relation to participation in the DRP by The Lottery Corporation Shareholders.

3.13 The Lottery Corporation pro forma historical financial information

This section contains the pro forma historical financial information, on a consolidated basis, in relation to The Lottery Corporation (**The Lottery Corporation Pro Forma Historical Financial Information**) comprising:

- The Lottery Corporation pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021;
- The Lottery Corporation pro forma historical balance sheet as at 31 December 2021; and
- The Lottery Corporation pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021.

In this Demerger Booklet (including in this section and Section 4.11), references to The Lottery Corporation Pro Forma Historical Financial Information are references to the pro forma historical financial information of The Lottery Corporation during the relevant period or at the relevant time, being the corporate group that is being restructured to form The Lottery Corporation as it will exist immediately following implementation of the Demerger.

INFORMATION ON THE LOTTERY CORPORATION *continued*

The Lottery Corporation Pro Forma Historical Financial Information, as defined above, has been reviewed by the Investigating Accountant, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report, a copy of which is included in Annexure B – Independent Limited Assurance Report. Tabcorp Shareholders should note the scope and limitations in that report, which should be read in conjunction with the risks associated with the Demerger and investment in The Lottery Corporation as set out in Section 3.14.

All amounts disclosed in the tables are expressed in millions of Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars. Figures, amounts, percentages and calculations are subject to the effect of rounding. Accordingly, totals in the tables may not add exactly due to the effects of rounding.

3.13.1 Basis of preparation

The directors of Tabcorp are responsible for the preparation and presentation of The Lottery Corporation Pro Forma Historical Financial Information.

The Lottery Corporation Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Tabcorp's Shareholders to understand the impact of the Demerger and the historical financial position, financial performance and cash flows of The Lottery Corporation. Consequently, The Lottery Corporation Pro Forma Historical Financial Information does not purport to reflect the actual financial position, financial performance and cash flows that would have occurred had The Lottery Corporation operated as a standalone group as at or for the relevant periods presented, nor does it reflect the actual or prospective financial position of The Lottery Corporation.

The accounting policies used in the preparation of The Lottery Corporation Pro Forma Historical Financial Information are consistent with those set out in Tabcorp's interim financial report for the half year ended 31 December 2021 and Tabcorp's Annual Report for the year ended 30 June 2021. Business combinations under common control (The Lottery Corporation acquiring the Keno business) have been accounted for by applying the acquisition method, resulting in the identifiable net assets acquired and liabilities assumed being recognised at provisional fair value. The final fair value adjustment is to be determined depending on circumstances at the time of Demerger, with expected impacts to goodwill, licences, intangible assets and deferred tax. The Lottery Corporation Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the presentation, disclosures and comparative information that are required in an annual general purpose financial report prepared in accordance with the Corporations Act 2001 (Cth).

The Lottery Corporation Pro Forma Historical Financial Information

The Lottery Corporation represents the Lotteries and Keno segment of the Tabcorp Group, as reported in the Tabcorp Group financial statements for 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021. The Lottery Corporation expects to present two separate segments (i) Lotteries and (ii) Keno in its next financial statements; refer to Section 3.13.4. No audited or reviewed financial statements for The Lottery Corporation exist for these reporting periods, as there has been no statutory reporting obligations to prepare those financial statements.

The Lottery Corporation Pro Forma Historical Financial Information has been derived from the historical financial information directly related to The Lottery Corporation in Tabcorp's accounting records and adjusted for the effects of the pro forma adjustments described below. These accounting records were used to generate Tabcorp's consolidated financial statements for the years ended 30 June 2019, 30 June 2020, 30 June 2021 and the half years ended 31 December 2020 and 31 December 2021.

The Lottery Corporation Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (**AAS**) other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS, (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred as at 31 December 2021 in the pro forma historical balance sheet and from 1 July 2018 in the pro forma historical income statements and the pro forma historical cash flows.

Historically, Tabcorp has maintained a group capital management strategy with no separate debt facilities or financing structures for The Lottery Corporation. The Lottery Corporation pro forma historical income statements and cash flows for the years ended 30 June 2019, 30 June 2020 and half year ended 31 December 2020 have been presented before financing costs and income tax expense because the financing arrangements and tax structure under which Tabcorp operated during the periods presented do not reflect the anticipated financing and tax structure of The Lottery Corporation post Demerger. Financing costs and income tax expense have been presented for the most recent year ended 30 June 2021 and half year ended 31 December 2021 to reflect the illustrative impact of these costs on the most recent periods. For the purposes of the pro forma income tax expense it is assumed that The Lottery Corporation has formed its own tax consolidated group. Refer to Section 3.14.5.2 for further details.

Pro forma adjustments have been made to The Lottery Corporation historical segment information included in the consolidated financial statements of Tabcorp to derive the pro forma historical income statements of The Lottery Corporation. The pro forma historical cash flows have been derived from the historical financial information directly relating to The Lottery Corporation from the accounting records of Tabcorp as the segment note within the Tabcorp financial statements does not separately present segment cash flows. The pro forma adjustments applied to the historical income statements and cash flows relating to The Lottery Corporation reflect the:

- additional estimated standalone corporate costs (when compared to the current cost base) including the impact of the Transitional Services Agreement (refer to Section 7.7.5 for details on this agreement) and costs necessary to operate as a separate standalone ASX-listed entity to reflect the operating structure of The Lottery Corporation that will be in place following Demerger;
- impact on amortisation expense as a result of the derecognition of certain intangible assets upon Demerger (refer to Section 3.13.3, Table 2, footnote 5);
- re-allocation of income and costs between The Lottery Corporation and New Tabcorp;
- impact on finance costs following entering into new external borrowings arrangements (refer to Section 3.13.9); and
- impact on income tax expense arising from the pro forma adjustments outlined above.

The Lottery Corporation historical income statements and cash flows have not been adjusted to reflect the impact on amortisation expense as a result of the fair value uplift of the Keno business upon transfer of the Keno business to The Lottery Corporation on the basis that the purchase price allocations have not been finalised and therefore the amortisation profile is yet to be determined (refer to Section 3.13.8, Table 5, footnote 4).

The Lottery Corporation historical balance sheet represents the assets and liabilities associated with the Lotteries and Keno business operations as at 31 December 2021, prior to the Demerger occurring, as derived from the accounting records of Tabcorp. Pro forma adjustments have been made to The Lottery Corporation historical balance sheet to reflect the:

- new financing structure that will be in place following the Demerger, including USPP notes and associated derivatives and external borrowings (refer to Section 3.13.8, Table 5, footnote 2);
- derecognition of fair value adjustments and associated deferred tax balances from the Tatts Group combination in 2017 relating to the Lotteries business (refer to Section 3.13.8, Table 5, footnote 3);
- recognition of estimated fair value adjustment to the Keno business value arising from the transfer of the Keno business to The Lottery Corporation under common control principles (refer to Section 3.13.8, Table 5, footnote 4); and
- estimated fair value uplift of the USPP notes and associated deferred tax balance effectively transferred to The Lottery Corporation (refer to Section 3.13.8, Table 5, footnote 3).

INFORMATION ON THE LOTTERY CORPORATION *continued*

The Lottery Corporation historical balance sheet has not been adjusted to reflect:

- the performance of Tabcorp or The Lottery Corporation since 31 December 2021;
- finalisation of the purchase price accounting for the Keno business, including identification and measurement of all purchase price allocations and the recalculation and recognition of associated deferred tax balances, which is dependent on circumstances at the time of the Demerger and thus has not been recognised; and
- any deferred tax positions on the derivative instruments on the basis that upon Demerger the accounting and tax cost base of the derivatives will align.

3.13.2 Explanation of certain non-IFRS financial measures

The Lottery Corporation uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as non-IFRS financial measures pursuant to Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, and they are commonly used performance measures in the industry. The principal non-IFRS measures referred to in Section 3.13 are as follows:

EBIT is earnings from continuing operations before:

- finance income, finance costs; and
- income tax expense.

EBIT, excluding significant items is EBIT, excluding those significant items presented in the Tabcorp segment note in its financial statements as items not included in the segment result as they are not considered integral to the ongoing performance of the segment.

EBITDA is earnings from continuing operations before:

- depreciation, amortisation;
- impairment expense;
- finance income, finance costs; and
- income tax expense.

EBITDA, excluding significant items is EBITDA, excluding those items presented in the Tabcorp segment note in its financial statements as items not included in the segment result as they are not considered integral to the ongoing performance of the segment.

Segment EBIT (for a business segment) is EBIT, excluding significant items, other (transferred) net income or costs, net additional standalone operating costs and derecognised intangible asset amortisation adjustment.

Segment EBITDA (for a business segment) is EBITDA, excluding significant items, other (transferred) net income or costs and net additional standalone operating costs.

Significant items represents certain, material non-recurring income received or expenses incurred which are not considered integral to the ongoing performance of the segment.

Net profit after tax, excluding significant items is NPAT, excluding those significant items presented in the Tabcorp segment note in its financial statements as items not included in the segment result as they are not considered integral to the ongoing performance of the segment.

Net Debt represents total loans and borrowings and bank overdrafts (including lease liabilities, excluding fair value accounting impacts on USPP notes²²), less cash and cash equivalents that are not significantly restricted.

Capex represents capital expenditure excluding the acquisition of licences, unallocated items, make good provisions raised during the period and additions to right-of-use assets.

²² Refer to Section 3.13.8, Table 5, footnotes 2 and 3.

Cash flows is net operating cash flows:

- after investing cash flows, before financing costs and tax (FY19, FY20, 1H21); and
- after investing cash flows, after financing costs and tax (FY21, 1H22).

Working capital represents trade and other receivables, prepayments less trade and other payables and provisions.

3.13.3 The Lottery Corporation pro forma historical income statements

The Lottery Corporation pro forma historical income statements are set out below.

Table 1. The Lottery Corporation pro forma historical income statements

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Revenue | 2,868 | 2,920 | 3,206 | 1,609 | 1,784 |
| Commission and fees | (479) | (484) | (520) | (269) | (277) |
| Government taxes and levies | (1,644) | (1,671) | (1,818) | (909) | (1,028) |
| Operating expenses | (238) | (229) | (257) | (125) | (126) |
| EBITDA, excluding significant items | 507 | 536 | 611 | 306 | 353 |
| Depreciation and amortisation ¹ | (70) | (82) | (80) | (42) | (40) |
| Impairment | 2 | (1) | – | – | – |
| EBIT, excluding significant items | 439 | 453 | 531 | 264 | 313 |
| Significant items ² | (9) | (3) | 60 | 67 | – |
| EBIT | 430 | 450 | 591 | 331 | 313 |
| Net finance costs ³ | | | (82) | | (41) |
| Profit/(loss) before income tax | | | 509 | | 272 |
| Income tax expense ⁴ | | | (137) | | (84) |
| Profit/(loss) after income tax | | | 372 | | 188 |

1 Impact on amortisation expense as a result of an expected uplift of Keno licence values upon transfer of the Keno business to The Lottery Corporation has not been included as the final fair value adjustment is to be determined depending on circumstances at the time of Demerger (refer to Section 3.13.8, Table 5, footnote 4);

2 Significant items mainly represent The Lottery Corporation's portion of the Tatts Group combination implementation costs (FY19: \$9 million, FY20: \$3 million, FY21: \$5 million, 1H21: \$2 million). For the FY21, it also includes restructuring costs (\$3 million), and strategic review costs (\$1 million), offset by profit on sale of Jumbo shares (\$69 million), and for 1H21, the balance also includes \$69 million profit on sale of Jumbo shares.

3 Net finance costs include pro forma historical interest on USPP notes effectively transferred to The Lottery Corporation, interest and amortisation of bank fees on external borrowings that will be drawn down upon Demerger, unwinding of interest on the estimated fair value uplift recognised on the USPP notes undertaken (refer to Section 3.13.8, Table 5, footnote 3); and interest on leases. Calculations are based on USPP principal amounts and interest rates (including the impacts of cross currency and interest rate swaps), the pricing detailed in the terms of The Lottery Corporation Facility, and assumes all borrowings were in place for all periods where presented. Interest to be paid will change over time, based, inter alia, on changes to interest rate benchmarks. The Lottery Corporation may use additional interest rate hedges in the future to further reduce the variability in interest payments which may impact the level of finance costs incurred.

4 Income tax expense is based on the pro forma historical profit before tax adjusted for permanent differences for the relevant periods, and the corporate tax rate of 30%.

INFORMATION ON THE LOTTERY CORPORATION continued

Table 2. Reconciliation of The Lottery Corporation reported EBIT excluding significant items, as derived from the financial statements of Tabcorp, to The Lottery Corporation pro forma historical NPAT

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| EBIT, excluding significant items¹ | 426 | 442 | 516 | 258 | 305 |
| Net additional standalone operating costs ^{2,3} | (9) | (9) | (9) | (5) | (5) |
| Other income/costs (net) transferred from Tabcorp ⁴ | 2 | 1 | – | – | – |
| Derecognised intangibles' amortisation adjustments ⁵ | 20 | 19 | 24 | 11 | 13 |
| Pro forma historical EBIT, excluding significant items | 439 | 453 | 531 | 264 | 313 |
| Significant items ⁶ | | | 60 | | – |
| Net finance costs | | | (82) | | (41) |
| Income tax expense | | | (137) | | (84) |
| Pro forma historical NPAT | | | 372 | | 188 |

1 Represents the reported historical results relating to The Lottery Corporation included in the segment note of Tabcorp's consolidated financial statements for the respective periods.

2 Following the Demerger, The Lottery Corporation will be a standalone entity listed on the ASX. As a standalone entity The Lottery Corporation will incur additional operating costs relative to the costs incurred historically. These costs include the corporate functions (i.e. incremental people costs) required to support a standalone listed entity, the cost of maintaining a board of directors, company secretariat costs, ASX listing fees, share registry costs, insurance and statutory financial and tax compliance fees. In addition, The Lottery Corporation will incur costs associated with certain services and internal management systems that have previously been provided by or in conjunction with Tabcorp such as information technology, corporate and public company costs. These additional costs are partly offset by previously allocated shared technology, corporate and public company costs that will be incurred by New Tabcorp.

3 It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA. See Section 2.3.2 for more information.

4 Relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements. These have been allocated to The Lottery Corporation based on the underlying nature of the item.

5 Intangible assets that arose upon the acquisition of the Tatts Group by Tabcorp in 2017, recognised in the consolidated financial statements of Tabcorp, will be derecognised upon the Demerger as these amounts cannot be recognised as assets by The Lottery Corporation under Australian Accounting Standards. Accordingly, amortisation of these amounts will not form part of the pro forma historical EBIT of The Lottery Corporation. This does not include any additional amortisation that may result when the purchase price allocation on the Keno business valuation is finalised as this is dependent on circumstances at the time of the Demerger and thus has not been recognised.

6 Refer to Section 3.13.3, Table 1, footnote 2.

3.13.4 The Lottery Corporation pro forma historical segment information

Table 3. The Lottery Corporation pro forma historical revenue, EBITDA excluding significant items, EBIT excluding significant items and capex (segment information)

| REVENUE (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Lotteries | 2,642 | 2,726 | 2,951 | 1,477 | 1,665 |
| Keno | 223 | 191 | 255 | 132 | 119 |
| Segment revenue¹ | 2,865 | 2,917 | 3,206 | 1,609 | 1,784 |
| Other income transferred from Tabcorp ² | 3 | 3 | – | – | – |
| Pro forma historical revenue | 2,868 | 2,920 | 3,206 | 1,609 | 1,784 |

| EBITDA EXCLUDING SIGNIFICANT ITEMS (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Lotteries | 433 | 474 | 522 | 259 | 316 |
| Keno | 80 | 68 | 98 | 52 | 42 |
| Segment EBITDA¹ | 513 | 542 | 620 | 311 | 358 |
| Other income/costs (net) transferred from Tabcorp ² | 3 | 3 | – | – | – |
| Net additional standalone operating costs ³ | (9) | (9) | (9) | (5) | (5) |
| Pro forma historical EBITDA, excluding significant items | 507 | 536 | 611 | 306 | 353 |

| EBIT EXCLUDING SIGNIFICANT ITEMS (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Lotteries | 371 | 400 | 442 | 218 | 275 |
| Keno | 55 | 42 | 74 | 40 | 30 |
| Segment EBIT¹ | 426 | 442 | 516 | 258 | 305 |
| Other income/costs (net) transferred from Tabcorp ² | 2 | 1 | – | – | – |
| Net additional standalone operating costs ³ | (9) | (9) | (9) | (5) | (5) |
| Derecognised intangibles' amortisation adjustments ⁴ | 20 | 19 | 24 | 11 | 13 |
| Pro forma historical EBIT, excluding significant items | 439 | 453 | 531 | 264 | 313 |

INFORMATION ON THE LOTTERY CORPORATION *continued*

| CAPEX (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Lotteries | 49 | 43 | 29 | 11 | 14 |
| Keno | 16 | 12 | 8 | 3 | 4 |
| Pro forma historical capex⁵ | 65 | 55 | 37 | 14 | 18 |

1 Represents the reported historical segment results relating to The Lottery Corporation included in Tabcorp's consolidated financial statements for the respective periods.

2 Refer to Section 3.13.3, Table 2, footnote 4.

3 Refer to Section 3.13.3, Table 2, footnotes 2 and 3.

4 Refer to Section 3.13.3, Table 2, footnote 5.

5 As reported for The Lottery Corporation within the segment note of Tabcorp's consolidated financial statements for the respective periods.

3.13.5 Management discussion and analysis of The Lottery Corporation pro forma historical financial performance

1H22

Pro forma historical revenue and pro forma historical EBIT excluding significant items for The Lottery Corporation were \$1,784 million (up 10.9% compared to the pcg) and \$313 million (up 18.6% compared to the pcg) respectively. The Lottery Corporation pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs and derecognised intangible asset amortisation adjustments.

Lotteries

Lotteries delivered historical revenue of \$1,665 million (up 12.7% compared to the pcg) underpinned by game development, active portfolio and sequence management, and improving player experiences. The Powerball and Oz Lotto jackpot games performed strongly, with turnover²³ up 27% and 11% respectively from the pcg on a like-for-like basis, while Saturday Lotto turnover was up 16% from the pcg on a like-for-like basis. The performance of the other base games (Monday & Wednesday Lotto, Set for Life and Instant Scratch-Its) generally reflected some softening of the COVID-19 tailwind from the pcg, with most games turnover down approximately 5-10% compared to the pcg.

Lotteries delivered historical EBIT excluding significant items of \$275 million (up 26.1% compared to the pcg) with historical digital Lotteries revenue up 28.1% compared to the pcg with digital accounting for 36.7% of all Lotteries turnover in 1H22 (up from 32.1% in the pcg). Digital growth continues to drive margin expansion. Active registered Lotteries customers grew 5% to 3.88 million. Lotteries retail turnover grew 5% compared to the pcg.

Lotteries continued to benefit from improved reseller agreement arrangements delivered under the Enterprise-wide 3S program.

Keno

Historical Keno revenue was \$119 million (down 9.8% compared to the pcg), with retail impacted by COVID-19 related venue closures in New South Wales, partly offset by digital growth.

Keno delivered historical EBIT excluding significant items of \$30 million (down 25.0% compared to the pcg) and provided ongoing support to retail partners through the challenge of COVID-19 and maintaining COVID-19 safe operations.

²³ Lotteries turnover represents lotteries tickets sales to customers.

1H21

Pro forma historical revenue and pro forma historical EBIT excluding significant items for The Lottery Corporation were \$1,609 million and \$264 million respectively. The Lottery Corporation pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs and derecognised intangible asset amortisation adjustments.

Lotteries

Lotteries delivered historical revenue of \$1,477 million, despite cycling 23 Powerball and Oz Lotto jackpots of \$15 million or more in 1H20, compared to only cycling 15 in 1H21. On a like-for-like offers basis, each of the games in the Lotteries portfolio delivered turnover growth in excess of 20% from the pcp (Powerball 28%, Oz Lotto 22%, Saturday Lotto 21%, Monday & Wednesday Lotto 24%, Set for Life 33%, Instant Scratch-Its 39%).

Lotteries delivered historical EBIT excluding significant items of \$218 million, with digital Lotteries turnover growth of 20.9% compared to the pcp, continuing to lift margins, which also benefited from improved reseller arrangements. Digital accounted for 32.1% of all Lotteries turnover in 1H21 (up from 26.7% in the pcp). Retail sales were down compared to the pcp, impacted by below average sequences for jackpot games during 1H21.

The Enterprise-wide 3S program delivered efficiencies and savings from the review of key commercial arrangements. Lotteries benefited from COVID-19 cost mitigations in the period including employee stand-downs and reduced discretionary spend.

Keno

Keno delivered historical revenue of \$132 million supported by strong digital performance, while the retail channel rebounded strongly once COVID-19 venue restrictions were eased.

Keno delivered historical EBIT excluding significant items of \$40 million whilst providing ongoing support to retail partners through the challenge of COVID-19 and maintaining COVID-19 safe operations. Employee stand-downs and reduced discretionary spend helped mitigate COVID-19 trading restrictions.

FY21

Pro forma historical revenue and pro forma historical EBIT excluding significant items for The Lottery Corporation were \$3,206 million (up 9.8% compared to the pcp) and \$531 million (up 17.2% compared to the pcp) respectively. The Lottery Corporation pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs and derecognised intangible asset amortisation adjustments.

Lotteries

Lotteries delivered historical revenue of \$2,951 million (up 8.3% compared to the pcp), with strong performance during the period as a result of game development and active portfolio and sequence management. Customer-centred improvements also led to better player experiences, increased digital conversion (which was positive for margins) and greater retail integration.

Investments in product enhancements, the omni-channel program, the digital platform and payment options, helped deliver compelling offers and the ability for customers to buy when, where and how they wished.

Historical revenue growth was delivered despite the cumulative value of Division 1 jackpots offered for Powerball and Oz Lotto draws being down 20% due to less favourable sequences. Adjusting for those sequence impacts, turnover in Powerball was up 21% and Oz Lotto was up 17%. All base games grew: Set for Life (33%), Keno (33%), Saturday Lotto (22%), Instant Scratch-Its (15%) and Monday & Wednesday Lotto (11%). Game changes in Saturday Lotto and Set for Life were well received by customers and contributed at least half of the growth for the respective games.

INFORMATION ON THE LOTTERY CORPORATION *continued*

Lotteries delivered historical EBIT excluding significant items of \$442 million (up 10.5% compared to the pcpc). Digital turnover grew 26.6% and accounted for 32.8% of all Lotteries turnover. Retail turnover grew 0.9% and continued to be the major Lotteries distribution channel. The number of active registered players across digital and retail, as part of the omni-channel program, grew by approximately 100,000 to 3.8 million.

Lotteries cycled cash preservation measures put in place during 4Q20 as the business managed the onset of COVID-19. Cost growth also represents continued investment in digital expansion including the associated increasing technology servicing costs. Some benefits were also delivered as part of the Enterprise-wide 3S program from improved reseller agreement arrangements.

Keno

Keno delivered historical revenue of \$255 million (up 33.5% compared to the pcpc) as retail rebounded from the COVID-19 venue closures in FY20, and supported by a strong digital performance, with digital turnover growing 73.8% and representing 15.5% of all Keno turnover. Performance also benefited from enhanced trade and loyalty programs.

Keno delivered historical EBIT excluding significant items of \$74 million (up 76.2% compared to the pcpc), cycling cash preservation measures put in place during 4Q20 as the business managed the onset of COVID-19 with some cost reduction benefits from the Enterprise-wide 3S program and Tabcorp-Tatts Group combination synergy benefits.

FY20

Pro forma historical revenue and pro forma historical EBIT excluding significant items for The Lottery Corporation were \$2,920 million (up 1.8% compared to the pcpc) and \$453 million (up 3.2% compared to the pcpc) respectively. The Lottery Corporation pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs and derecognised intangible asset amortisation adjustments.

Lotteries

Lotteries delivered historical revenue of \$2,726 million (up 3.2% compared to the pcpc), achieved despite cycling 49 Oz Lotto and Powerball jackpots of \$15 million or more in FY19 compared to cycling 39 in FY20.

The Lotteries result reflects investments in digital and retail channels and the ongoing development of Lotteries game portfolio to appeal to a diverse customer base. More than 400,000 additional Australians became active registered Lotteries players during FY20, taking the total to 3.7 million.

In FY20, Powerball turnover grew 16%, highlighting its increasing appeal since its 2018 game change, while Set for Life turnover grew 21%, evidence of the benefit of game modifications, including the new Division 2 prize, introduced in March 2020.

PayPal was launched as a payment option for players and the reseller arrangements with Jumbo were extended on improved commercial terms.

Lotteries delivered historical EBIT excluding significant items of \$400 million (up 7.8% compared to the pcpc). Lotteries' retail distribution partners, such as newsagents and convenience stores, largely continued trading during the COVID-19 lockdown period. In FY20, retail turnover declined 4%, while digital turnover grew 22.1% and accounted for 28% of total Lotteries turnover.

There was a large focus on cost reduction and cash preservation measures managing the onset of COVID-19. Cost mitigations included employee stand-downs, no staff incentives, reduced working week and discretionary spend savings. Lotteries also benefited from Tabcorp-Tatts Group combination synergies.

Keno

Keno delivered historical revenue of \$191 million (down 14.3% compared to the pcpc), largely due to the government mandated shutdown of clubs and hotels in New South Wales, Queensland and Victoria during 2H20. Growth in active digital account holders helped partially offset the decline in retail.

Keno delivered historical EBIT excluding significant items of \$42 million (down 23.6% compared to the pcpc). There was a large focus on cost reduction and cash preservation measures as the business managed COVID-19. Cost mitigations included employee stand-downs, no bonuses, reduced working week and discretionary spend savings.

FY19

FY19 represented the first full year contribution of the Tatts Group Lotteries business following the Tatts Group combination. Pro forma historical revenue and pro forma historical EBIT excluding significant items for The Lottery Corporation were \$2,868 million and \$439 million respectively. The Lottery Corporation pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs and derecognised intangible asset amortisation adjustments.

Lotteries

Lotteries delivered historical revenue of \$2,642 million. The performance of the business was positively impacted by continued game innovation, and upweighted investment in technology and data-led capability. Digital turnover was up a record 73.5%, representing 23.5% of total Lotteries turnover. Retail turnover grew 17.7%. The new Powerball game delivered bigger and more frequent jackpots, and more winners overall, leading to increased customer demand. Active registered players were up 22.2% to 3.3 million, positively impacting historical revenue for other games.

In addition, Lotteries historical revenue was supported by particularly favourable jackpot runs for Lucky Lotteries and Oz Lotto, which together added approximately \$30 million of incremental historical EBIT excluding significant items.

Lotteries delivered historical EBIT excluding significant items of \$371 million. A new omni-channel model was introduced for lottery retailers during the year and commenced in most jurisdictions in August 2019. The model delivered greater alignment between lottery retailers and the digital growth strategy.

Keno

Keno delivered historical revenue and historical EBIT excluding significant items of \$223 million and \$55 million respectively, impacted by the launch of Keno Mega Millions in Victoria, pooling with New South Wales, Queensland and the Australian Capital Territory. Active digital account holders grew 13.1% on the pcpc, closing at 24,100.

INFORMATION ON THE LOTTERY CORPORATION continued

3.13.6 The Lottery Corporation pro forma historical cash flows

The Lottery Corporation pro forma historical cash flows are set out below.

Table 4. The Lottery Corporation pro forma historical cash flows¹

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Pro forma historical EBIT, excluding significant items² | 439 | 453 | 531 | 264 | 313 |
| Depreciation, amortisation and impairment | 68 | 83 | 80 | 42 | 40 |
| Pro forma historical EBITDA, excluding significant items | 507 | 536 | 611 | 306 | 353 |
| Other non-cash items | (2) | (1) | 2 | – | 2 |
| Change in working capital | 219 | 35 | (30) | 212 | 161 |
| Pro forma historical operating cash flows, before financing costs and tax, excluding significant items | 724 | 570 | 583 | 518 | 516 |
| Payment for property, plant and equipment and intangibles | (53) | (65) | (37) | (14) | (19) |
| Proceeds from sale of property, plant and equipment and intangibles | – | 1 | 20 | 2 | – |
| Proceeds from sale of shares in an associate | 12 | – | – | – | – |
| Payment for exercise of call option | (8) | – | – | – | – |
| Payment for other financial assets | (93) | (15) | (73) | (51) | (18) |
| Pro forma historical operating and investing cash flows, before financing costs and tax, excluding significant items | 582 | 491 | 493 | 455 | 479 |
| Proceeds from sale of shares in an associate, significant item ³ | – | – | 98 | 98 | – |
| Significant items ⁴ | (9) | (3) | (9) | (2) | – |
| Pro forma historical operating and investing cash flows, before financing costs and tax | 573 | 488 | 582 | 551 | 479 |
| Financing costs | | | (109) | | (54) |
| Income tax paid | | | (137) | | (84) |
| Pro forma historical operating and investing cash flows, after financing costs and tax | | | 336 | | 341 |

¹ The segment note within the Tabcorp financial statements does not separately present segment cash flows. Therefore, no reconciliation to the Tabcorp segment note has been provided.

² Refer to Section 3.13.4, Table 3, pro forma historical EBIT excluding significant items.

³ This balance relates to gross proceeds generated from the sale of Jumbo shares (a profit before tax impact of \$69 million).

⁴ Refer to Section 3.13.3, Table 1, footnote 2. Excludes the sale of Jumbo shares (as per footnote 3 above).

3.13.7 Management discussion and analysis of The Lottery Corporation pro forma historical cash flows

The Lottery Corporation pro forma historical cash flows present the pro forma net operating and investing cash flows as if The Lottery Corporation had operated as a standalone group for the periods presented.

Working capital movements are impacted by the timing of prize draws and settlements, jackpot activity and new winners for long-term annuity prizes. The FY19 increase was largely driven by an increase in prize liabilities following the Lucky Lotteries Mega Jackpot and large jackpot activity in Oz Lotto at the preceding year end. FY20 and 1H21 include increases in payables of \$95 million and \$120 million respectively due to the deferral of Lottery taxes as a result of government initiated COVID-19 support, leading to a decrease in working capital in FY21 when these were paid in 2H21. The increase in 1H22 was largely driven by increased sale activity.

Pro forma finance costs paid reflect the pro forma interest on estimated drawdown of external borrowings for The Lottery Corporation based on an allocation of the existing Tabcorp debt as at 31 December 2021 after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes maturing in April 2022.

3.13.8 The Lottery Corporation pro forma historical balance sheet

The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 is set out below and has been prepared on the basis that the Demerger was effected and completed on 31 December 2021. The Lottery Corporation pro forma historical balance sheet has been prepared for illustrative purposes only, and does not reflect the actual or prospective financial position of The Lottery Corporation at the time of the Demerger. No adjustments have been made to reflect the trading of The Lottery Corporation since 31 December 2021 nor for the items highlighted in Section 3.13.1.

The Lottery Corporation pro forma historical balance sheet reflects a net current asset deficiency of \$281 million as at 31 December 2021. This arises largely due to prize payment reserves and customer account balances, aggregating \$612 million, being classified as current liabilities under Australian Accounting Standards as The Lottery Corporation does not have an unconditional right to defer payment beyond 12 months, notwithstanding these are not expected to be fully settled within the next 12 months. The Lottery Corporation maintains sufficient undrawn facilities to meet working capital requirements, including settlement of prize money and customer account balances as required. In order to minimise finance costs, excess cash is used to reduce non current interest bearing liabilities until the current liabilities become due.

INFORMATION ON THE LOTTERY CORPORATION continued

Table 5. The Lottery Corporation pro forma historical balance sheet as at 31 December 2021

| \$M | HISTORICAL ¹ | EXTERNAL BORROWING AND INTERCOMPANY SETTLEMENT ² | DEMERGER ACCOUNTING ³ | KENO FAIR VALUE UPLIFT ⁴ | PRO FORMA HISTORICAL ⁵ |
|----------------------------------|-------------------------|--|-------------------------------------|---|--------------------------------------|
| Current assets | | | | | |
| Cash and cash equivalents | 350 | – | – | – | 350 |
| Receivables | 47 | – | – | – | 47 |
| Prepayments | 12 | – | – | – | 12 |
| Derivative financial instruments | – | 15 | – | – | 15 |
| Other financial assets | 166 | – | – | – | 166 |
| Other | 108 | – | – | – | 108 |
| Total current assets | 683 | 15 | – | – | 698 |
| Non current assets | | | | | |
| Receivables | – | – | – | – | – |
| Other financial assets | 110 | – | – | – | 110 |
| Intangible assets | 6,782 | – | (4,461) | 615 | 2,936 |
| Property, plant and equipment | 70 | – | (2) | – | 68 |
| Right-of-use assets | 65 | – | – | – | 65 |
| Derivative financial instruments | – | 176 | – | – | 176 |
| Total non current assets | 7,027 | 176 | (4,463) | 615 | 3,355 |
| Total assets | 7,710 | 191 | (4,463) | 615 | 4,053 |
| Current liabilities | | | | | |
| Payables | 2,109 | (1,269) | – | – | 840 |
| Interest bearing liabilities | – | – | – | – | – |
| Lease liabilities | 6 | – | – | – | 6 |
| Current tax liabilities | – | – | – | – | – |
| Provisions | 11 | – | – | – | 11 |
| Derivative financial instruments | – | 22 | – | – | 22 |
| Other | 100 | – | – | – | 100 |
| Total current liabilities | 2,226 | (1,247) | – | – | 979 |

| \$M | HISTORICAL ¹ | EXTERNAL BORROWING AND INTERCOMPANY SETTLEMENT ² | DEMERGER ACCOUNTING ³ | KENO FAIR VALUE UPLIFT ⁴ | PRO FORMA HISTORICAL ⁵ |
|--------------------------------------|-------------------------|--|-------------------------------------|---|--------------------------------------|
| Non current liabilities | | | | | |
| Payables | 259 | – | – | – | 259 |
| Interest bearing liabilities | – | 2,335 | 246 | – | 2,581 |
| Lease liabilities | 80 | – | – | – | 80 |
| Deferred tax liabilities | 332 | – | (285) | (4) | 43 |
| Provisions | 10 | – | – | – | 10 |
| Derivative financial instruments | – | 28 | – | – | 28 |
| Other | 17 | – | – | – | 17 |
| Total non current liabilities | 698 | 2,363 | (39) | (4) | 3,018 |
| Total liabilities | 2,924 | 1,116 | (39) | (4) | 3,997 |
| Net assets/(liabilities) | 4,786 | (925) | (4,424) | 619 | 56 |
| Equity and reserves | 4,786 | (925) | (4,424) | 619 | 56 |

1 Represents the assets and liabilities associated with the Lotteries and Keno business operations prior to the Demerger occurring, as derived from the accounting records of Tabcorp.

2 Represents the:

- estimated value of existing USPP notes in Tabcorp of \$1,916 million to be effectively transferred to The Lottery Corporation, together with associated derivative financial instruments of \$141 million;
- estimated drawdown of external borrowings of \$419 million for The Lottery Corporation based on an allocation of the existing Tabcorp debt as at 31 December 2021 and after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes maturing in April 2022; and
- settlement of intercompany balances of \$1,269 million with Tabcorp which will be treated as a capital contribution to The Lottery Corporation.

3 Represents

- derecognition of fair value adjustments (predominantly goodwill and intangible assets of \$4,463 million and associated deferred tax liabilities of \$226 million) from the Tatts Group combination in 2017 relating to the Lotteries and Keno businesses. These adjustments cannot be recognised as assets of The Lottery Corporation under Australian Accounting Standards;
- the estimated fair value uplift of the USPP notes effectively transferred to The Lottery Corporation, as Australian Accounting Standards require the fair value of the debt to be recognised on inception, rather than at the existing value. This uplift of \$246 million (\$172 million net of deferred tax asset of \$74 million) is an estimate based on observable inputs at 31 December 2021, and may change at the time of the Demerger based on the actual exchange and interest rates at that date; and
- the current estimated tax impact of \$15 million on step-down in the tax cost base of certain assets of The Lottery Corporation as a result of The Lottery Corporation forming its own tax consolidated group. The final calculation of tax cost base will be determined depending on circumstances at the time of the Demerger. This may give rise to changes in current estimates of tax impacts.

4 Represents recognition of the estimated fair value adjustment of \$619 million (net of derecognition of deferred tax liabilities of \$4 million) arising from the transfer of the Keno business to The Lottery Corporation under common control principles; with the final fair value adjustment to be determined depending on circumstances at the time of the Demerger, with expected impacts to goodwill, licences, intangible assets and deferred tax.

5 The Tabcorp Group is bearing the transaction costs expected to be incurred for adviser fees in relation to the Demerger. For details on other transaction related costs refer to Section 7.6.

3.13.9 The Lottery Corporation debt facilities and cash overview

The Lottery Corporation has historically been funded through a combination of internal cash flows and external debt facilities held by Tabcorp Group.

Following the Demerger, funding for The Lottery Corporation will be sourced from a combination of internally generated cash flows, a syndicated bank loan facility with an initial facility limit of \$950 million (**The Lottery Corporation Facility**) and all Tabcorp USPP notes outstanding at the Implementation Date, which will be cancelled, with equivalent notes to be issued by a wholly owned subsidiary of The Lottery Corporation to existing note holders.

At the time the Demerger is implemented, it is currently anticipated that The Lottery Corporation will have opening Net Debt in the range of \$2.1 billion to \$2.3 billion (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date,

INFORMATION ON THE LOTTERY CORPORATION *continued*

and will differ from the amount included in The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 disclosed in Section 3.13.8.

As at the date of this Demerger Booklet, Tabcorp has in place legally binding commitment letters from a number of major banks to provide The Lottery Corporation Facility, subject to various conditions being satisfied, including those summarised in the table below. As part of the commitment letters, Tabcorp and the banks have agreed a term sheet in respect of The Lottery Corporation Facility. Each bank has obtained credit committee approval to the terms of The Lottery Corporation Facility. The Lottery Corporation Facility contains market standard terms and conditions for a facility of this nature.

The key terms of The Lottery Corporation Facility are as follows:

Table 6. Summary of The Lottery Corporation Facility

| | | | |
|---|--|-------------------|----------------------|
| Facility type | Revolving loan facility | | |
| Borrower | A wholly owned subsidiary of The Lottery Corporation | | |
| Currency | Australian dollar | | |
| Tranches | Tranche | Commitment | Maturity date |
| | A | \$400 million | 3 year tranche |
| | B | \$550 million | 5 year tranche |
| Interest rates | BBSY plus a Margin based on a Net Borrowings to EBITDA ratio grid. | | |
| Conditions precedent to initial drawdown | <p>The Lottery Corporation Facility contains market standard conditions precedent to initial drawdown for a facility of this nature. Additional conditions include the Demerger becoming Effective, The Lottery Corporation being admitted to ASX, cancellation of Tabcorp Group's existing syndicated facilities and the provision of information, including financial information, relating to the Demerger and The Lottery Corporation.</p> <p>If no drawing has occurred under any tranche within three months of the date that the facility agreement for The Lottery Corporation Facility is signed, the availability period for all tranches will end and all commitments under The Lottery Corporation Facility will be cancelled.</p> | | |
| Security | Unsecured | | |
| Guarantee | The Lottery Corporation Facility is guaranteed by certain members of The Lottery Corporation Group. The Lottery Corporation will be required to ensure that guarantees are provided from members of The Lottery Corporation Group contributing no less than 85% of EBITDA and owning 85% of the total assets of The Lottery Corporation Group. | | |
| Events of default and mandatory prepayment | <p>The Lottery Corporation Facility contains events of default that are standard for a facility of this nature including, but not limited to, payment default, misrepresentation, breach of undertaking and financial covenant, cross-default, insolvency, cessation or suspension of business, cancellation of any material licences, cessation or suspension for more than 10 consecutive business days of The Lottery Corporation listing on the ASX and the occurrence of an event that has a material adverse effect on the ability of the Borrower or The Lottery Corporation to perform their obligations under The Lottery Corporation Facility.</p> <p>If there is a change in the control (as defined in section 610 of the Corporations Act) of The Lottery Corporation of more than 50%, lenders may require full repayment of amounts outstanding under The Lottery Corporation Facility.</p> | | |
| Covenants | <p>The Lottery Corporation Facility contains financial covenants including a leverage ratio, interest coverage ratio and restrictions on non-guarantors incurring financial indebtedness; as well as representations and undertakings including, but not limited to, provision of information, maintaining material licences, restriction on providing financial accommodation, negative pledge and a restriction on disposal of assets. These covenants and undertakings are standard for a facility of this nature.</p> <p>The Lottery Corporation must comply with financial covenants for each 12-month period ending on 30 June and 31 December, beginning on 30 June 2023.</p> | | |

As at the date of this Demerger Booklet, Tabcorp also has in place a legally binding agreement with existing USPP note holders that at the Implementation Date, Tabcorp's outstanding USPP notes will be cancelled, with equivalent notes to be issued by a wholly owned subsidiary of The Lottery Corporation to existing note holders, subject to various conditions being satisfied, including those summarised in the table below. The key terms of the USPP notes remain mostly in line with the current terms, except the financial covenant thresholds.

Tabcorp intends to transfer or novate its existing cross currency and interest rate swaps to The Lottery Corporation to mitigate the currency and interest rate risk exposures of the USPP notes.

Table 7. Summary of The Lottery Corporation US Private Placement Notes

| | | | |
|--|--|------------------|----------------------|
| Note type | US Private Placement Notes | | |
| Borrower | A wholly owned subsidiary of The Lottery Corporation | | |
| Currency | US dollar and Australian dollar | | |
| Tranches | Series | Principal | Maturity date |
| | C | US\$105 million | June 2026 |
| | D | US\$450 million | June 2028 |
| | E | US\$520 million | June 2030 |
| | F | US\$175 million | June 2033 |
| | G | A\$97.3 million | June 2035 |
| | H | A\$97.3 million | June 2036 |
| Interest rates | Fixed interest rate with interest rate step-up at certain leverage thresholds. | | |
| Conditions precedent to cancellation and reissue of notes | The cancellation of current USPP notes and issue of equivalent notes by a wholly owned subsidiary of The Lottery Corporation is subject to market standard legal and commercial conditions. Additional conditions include The Lottery Corporation being demerged with a pro forma leverage below the specified leverage threshold and above the specified interest coverage ratio, the credit rating agency reaffirming the specified credit rating threshold for The Lottery Corporation, regulatory approvals received for the Demerger and no occurrence of an event that has a material adverse effect on the Borrower or The Lottery Corporation. | | |
| Security | Unsecured | | |
| Guarantee | The Lottery Corporation and other members of The Lottery Corporation Group will provide a guarantee. | | |
| Events of default and mandatory prepayment | <p>The USPP notes contain events of default that are standard for USPP notes of this nature including, but not limited to, payment default, misrepresentation, breach of financial covenant, insolvency and cancellation of any material licences.</p> <p>If a person has voting power (as defined in section 610 of the Corporations Act) of The Lottery Corporation of more than 50%, note holders may require full repayment of amounts outstanding of the USPP notes.</p> | | |
| Covenants | The USPP notes contain financial covenants including a leverage ratio and interest coverage ratio; as well as other negative and affirmative covenants. The Lottery Corporation must comply with financial covenants for each 12-month period ending on 30 June and 31 December, beginning at least 12 months after the completion of the Demerger. | | |

3.14 Risk factors associated with an investment in The Lottery Corporation

This section outlines a number of risks which may affect The Lottery Corporation following the Demerger.

The risks set out in this section may adversely affect the future operating or financial performance or prospects of The Lottery Corporation, and the investment returns or value of The Lottery Corporation Shares. The risks of The Lottery Corporation will be overseen by The Lottery Corporation's Chief Legal & Risk Officer, Board and Board Risk and Compliance Committee, and underpinned by The Lottery Corporation's risk framework. This risk framework will seek to ensure that relevant risks are mitigated to the extent possible by appropriate controls, systems and other actions, but other risks, and the ability to mitigate such risks, may be outside the control of The Lottery Corporation.

Many of these are risks to which Tabcorp Shareholders are currently exposed, while others arise as a result of The Lottery Corporation becoming a standalone ASX-listed entity independent from Tabcorp Group following the Demerger.

This section should be read in conjunction with Sections 2.2, 2.3 and 2.4, which set out the advantages and disadvantages and risks of the Demerger, and Section 4.12, which sets out the risk factors associated with an investment in New Tabcorp.

Further, the risks set out in this section are not exhaustive of all the risks to which The Lottery Corporation Shareholders could be exposed.

3.14.1 Impact of COVID-19 and related risks

The COVID-19 pandemic government restrictions and further strains such as Omicron have impacted, and are likely to continue to impact The Lottery Corporation's operating businesses to varying degrees, and in turn, The Lottery Corporation's financial and operational performance. While the performance of lotteries has been resilient during CY20 and CY21 in the COVID-19 environment, the Keno business was affected primarily due to the numerous government mandated lockdowns causing the temporary but extended closure of Keno retail venues, mainly in New South Wales and Victoria, and the trend away from cash spend in retail to online account options.

Investors should be aware that the COVID-19 pandemic and related actions taken in response by Australian (Federal, States and Territories) governments, including national lockdowns, border controls/travel restrictions and the effects of the pandemic on the global and domestic economy have had, and may possibly continue to have, a material adverse effect on The Lottery Corporation, its financial performance and outlook, liquidity and/or share price. There is no certainty as to whether Australian (Federal, States and Territories) government restrictions will continue into the short to medium term, and whether they will increase or be eased in the future in response to further COVID-19 outbreaks or the emergence of another epidemic or pandemic.

In addition, The Lottery Corporation's businesses have been affected by the emergence and spread of new variants such as Omicron, through disruptions to services and supply chains, as well as nationwide staffing shortages as a result of (i) employee illness due to a COVID-19 diagnosis, and (ii) requirements to isolate for extended periods due to exposure to Omicron or as a result of strains on processing times for the receipt of results from polymerase chain reaction (PCR) tests. There is a risk that further social distancing and other restrictions will continue to adversely affect The Lottery Corporation's Keno retail venues for an extended period in some form (including certain venues being unable to pay debts as and when they fall due and therefore in some cases resulting in permanent venue closures), with resulting impacts on The Lottery Corporation's distribution network and profitability.

The long-term impacts from COVID-19 on general economic or industry conditions, consumer discretionary spending and consumer confidence are uncertain and may adversely impact the financial and operational performance of The Lottery Corporation Group and the delivery of its growth strategies in the future.

3.14.2 Strategic risks

3.14.2.1 Increased competition

The Lottery Corporation's businesses are affected, to varying degrees, by suppliers of competing products and services, based both in Australia and overseas. New competitors and disruptors may enter The Lottery Corporation's traditional markets and may be subject to less regulation compared to that of The Lottery Corporation. As a result, there is a risk that The Lottery Corporation Group may not be able to compete on the same terms as other operators, or may face increased levels of competition from suppliers of lotteries and Keno products, which could adversely affect the operational and financial performance of The Lottery Corporation Group. A sustained increase in competition from existing competitors or new entrants may result in a material failure to grow, or a loss of market share or revenue, in some markets. In particular:

- there is a risk that operators which offer Australian customers products linked directly or indirectly to the outcome of overseas lotteries continue to grow and may have an adverse impact on The Lottery Corporation's lotteries sales across its retail network and online operations; and
- The Lottery Corporation's Keno offering may also be subject to competition from products offered by other licensed Keno operators or operators of synthetic Keno products, online Keno products, as well as international Keno games. The continued growth of these competing products may similarly have an adverse impact on The Lottery Corporation's Keno revenues.

Further, and in addition to driving efficiencies, technological innovation is now challenging entire business models and causing disruption to industry structures. Technological developments have therefore increased and will continue to increase competition to The Lottery Corporation's businesses, regardless of exclusive licences, permits or approvals.

3.14.2.2 Consumer discretionary spending and preferences

Lotteries and Keno activities compete with other consumer products for consumers' discretionary spending, and in particular with other forms of leisure and entertainment. Consumer discretionary spending may also be affected by adverse changes to general economic or industry conditions, changes in consumers' attitudes towards gambling products and the availability of payment channels. If The Lottery Corporation fails to adequately respond to competition for consumers' discretionary expenditure, or an existing or new competitor of The Lottery Corporation adapts to changes more rapidly, this could result in a loss of market share or missed opportunities for growth, and have an adverse impact on The Lottery Corporation's financial performance.

3.14.2.3 Brand and reputation

The Lottery Corporation's brand names and reputation are important assets of The Lottery Corporation business. Successful maintenance of the reputation and value associated with these brand names will be critical to The Lottery Corporation's businesses and its strategy for the future. It is possible that The Lottery Corporation business strategies may not be achieved, resulting in the erosion of the reputation or value associated with the brand names which, in turn, could have an adverse effect on the performance and operations of The Lottery Corporation.

A range of events, including any material non-compliance with regulations or licence terms, or a material breach of, or failure in, information and technology systems or successful legal challenges to the validity of The Lottery Corporation's trade marks and/or other intellectual property, could have an adverse impact on The Lottery Corporation's reputation and the value of its brands. This may also increase expenditure due to additional compliance costs and potential claims for compensatory damages.

Significant disciplinary actions, the imposition of monetary fines or the loss of a licence in one or more jurisdictions would affect The Lottery Corporation's reputation and adversely affect its current licences or future opportunities for licences in other jurisdictions. The consequences of such events could be significant for The Lottery Corporation, including potentially smaller markets to operate in, reduced revenues, increased expenses, loss of consumer trust in the relevant brand or products or loss of a business unit.

3.14.3 Legal, regulatory and compliance risks

3.14.3.1 Licences and other approvals

The activities of The Lottery Corporation are conducted in a highly regulated environment and are regulated by laws, regulations, rules, licences, permits and other approvals from relevant Federal, State and Territory governments. The Lottery Corporation cannot be certain:

- whether any of its licences will be renewed or whether new licences will be granted to The Lottery Corporation when current licences expire; or
- if any of its licences will be renewed on expiry or new licences will be granted to The Lottery Corporation, when they will be renewed or granted (as applicable), or the terms on which they will be renewed or granted, including whether they will be granted on an exclusive basis and the amounts which might be required to be paid by way of licence fees.

The loss of, or failure to renew, any material licence, permit, authorisation or other approval (or renewal on less favourable terms) may have an adverse impact on the financial performance, operations and position of The Lottery Corporation.

An example of licence renewal risk includes The Lottery Corporation's Victorian Lotteries Licence, which expires in 2028. There is a risk The Lottery Corporation is unable to renew this licence or that it is renewed on less favourable terms.

3.14.3.2 Exclusivity

The exclusivity periods relating to the licences held by members of The Lottery Corporation Group are summarised in Section 8. Not all of the licences held by members of The Lottery Corporation Group include an exclusive right to operate in the relevant jurisdiction and in those cases, there is the potential that additional lottery or Keno operators or both obtain the right to operate in addition to The Lottery Corporation's existing operations. This potential outcome could adversely affect the operational and financial performance of The Lottery Corporation Group in either one or multiple States or Territories.

3.14.3.3 Enforceability of exclusive rights and sovereign risk

The Lottery Corporation's entitlement to conduct business in the areas of lotteries and Keno in Australia is dependent on it maintaining the relevant government approvals in order to participate, or operate, in a particular manner. There is a risk that legislation may be enacted that increases the cost for The Lottery Corporation to operate, or that has a material adverse effect on the pre-existing rights and benefits enjoyed by The Lottery Corporation through its licences or otherwise, such as taking away or not enforcing a right granted or provided for in legislation or which reduces the impact of a contractual right under an agreement between the relevant government or regulator and The Lottery Corporation.

The Lottery Corporation's ability to derive and realise the benefit of its exclusive rights in certain jurisdictions is also partly dependent on government and regulators enforcing related laws and regulations which underpin these exclusive rights. There is a risk that, for various reasons, government or regulators do not enforce these laws or regulations which may adversely impact The Lottery Corporation's operations and profitability.

Additionally, in certain situations, the licences and authorisations that have been granted to members of The Lottery Corporation Group may be suspended, cancelled or terminated by relevant regulators and/or governments without compensation. The suspension or cancellation of any licence held now or in the future by The Lottery Corporation Group could adversely affect the operational and financial performance of The Lottery Corporation Group.

3.14.3.4 Breach of laws, regulations and licences, and compliance risks

The Lottery Corporation's businesses, as well as third parties that distribute The Lottery Corporation's products and services, including newsagencies, retail venues and retailers, are subject to various laws and regulations. Any material breach of the relevant obligations or failure to meet legal, regulatory, compliance and conduct requirements or regulatory expectations, including, for example, in relation to responsible gambling,

may have an adverse impact on the financial performance and operating position of The Lottery Corporation. Any such adverse impact may arise as a result of the suspension or loss of applicable material licences, renewal of licences on less favourable terms, increased supervision and oversight by regulators and other stakeholders, civil or criminal penalties, brand or reputational damage, and the inability to obtain future licences or business opportunities.

Any failure by members of The Lottery Corporation Group to meet compliance standards and systems at operational levels may increase exposure to an event of non-compliance. In addition, a breakdown in material operational processes, system errors or failure to comply with the requirements for the calculation of lotteries and Keno jackpots, gambling taxes or other stakeholder returns, may require The Lottery Corporation to incur significant expenses for any remediation activities, to repay winnings or other financial impacts, or seek reimbursement of any overpayments, while also exposing The Lottery Corporation Group to potential litigation (including class actions) or other forms of disputes.

In addition, The Lottery Corporation Group is reliant on its employees, contractors and external counterparties acting in an appropriate and ethical way in accordance with its Code of Conduct. Poor individual and/or group behaviours which are inconsistent with relevant policy may expose The Lottery Corporation Group to additional risk, including:

- non-adherence to applicable responsible gambling requirements;
- delays in appropriately escalating regulatory and compliance issues; and/or
- failure to resolve issues in a timely manner and in accordance with community expectations.

If The Lottery Corporation Group's conduct related controls were to fail in a material way, be inappropriately set or not meet legal, regulatory or community expectations, then The Lottery Corporation Group may be exposed to:

- increased costs of compliance, public censure, loss of customer confidence and litigation;
- increased oversight by regulators and/or other stakeholders;
- suspension or curtailment of operations enforced by regulatory authorities or amendments to licence conditions; and
- other enforcement or administrative action.

The Tabcorp Group currently has, and as at the Implementation Date The Lottery Corporation Group will have, an established regulatory risk and compliance function, and governance and risk framework. The Lottery Corporation's regulatory risk and compliance function will continue to monitor compliance with existing laws and regulations, licences and permits, the political and regulatory environment, and The Lottery Corporation's adherence to internal processes and procedures. A failure of The Lottery Corporation Group's risk and compliance framework and controls may potentially result in, among other things, members of The Lottery Corporation Group breaching laws, regulations and licence conditions, resulting in potential regulatory enforcement action, including litigation. These actions could result in significant financial penalties, or other disciplinary action (including the loss of a licence), which could adversely affect The Lottery Corporation Group's financial position and its ability to generate revenue or conduct its operations.

3.14.3.5 Changes in laws and the regulatory environment

Regulation at State, Territory and Federal government levels is subject to change, sometimes without adequate notice, and The Lottery Corporation has no control over the regulations which apply to its current or proposed activities. The Lottery Corporation's business is also significantly affected by government policy and the manner in which governments and regulators exercise their powers over time. Periodically, government policy and decisions shift for various reasons, and are influenced by societal attitudes, public policy norms and political and/or media pressures and/or influences.

Changes in (or changes to the interpretation of) legislation, regulation (including alterations to any existing licence conditions), taxation or government policy (and related judicial decisions and enforcement policy) by government agencies, tribunals and departments, including as a result of changes in societal attitudes, may have an adverse impact, to varying degrees, on The Lottery Corporation's operational and financial performance as a result of significant changes in the nature of operations, delayed approvals, increased compliance or other costs, resourcing demands, and potential changes in the level of competition in relevant markets.

INFORMATION ON THE LOTTERY CORPORATION *continued*

Potential changes which could adversely affect the value of licences granted to members of The Lottery Corporation Group include:

- the grant of additional lotteries or Keno licences to other parties or in jurisdictions which The Lottery Corporation does not yet operate in (or is not the exclusive operator), or a government operating a lottery itself;
- changes to laws which prohibit operators taking bets on the outcome of lotteries;
- changes or decisions concerning advertising restrictions;
- changes or decisions concerning the distribution of products, including through particular channels or locations;
- the introduction of legislation which would extend certain anti-money laundering and counter-terrorism financing obligations to the products and services of The Lottery Corporation, resulting in increased compliance costs for The Lottery Corporation;
- the introduction of further legislation to implement additional responsible gambling measures or restrictions on distribution and payment methods;
- changes to regulations which erode the margins in respect of lottery and Keno activities (including, for example, lottery taxes); and
- lack of regulation of either similar products or other operators.

3.14.3.6 Investigations

From time to time, members of The Lottery Corporation Group (as well as its current and former officers and executives) may be subject to various formal and informal investigations such as tax compliance investigations carried out by the ATO or investigations carried out by other Federal or State regulatory or law enforcement bodies including the ACCC, the Australian Federal Police, ACMA, ASIC, OAIC and State-based gambling regulators. Probity-related implications may also arise for The Lottery Corporation. This could potentially lead to the suspension or loss of material licences, permits, authorisations or other approvals; the imposition of civil or criminal penalties on either or both The Lottery Corporation Group and/or its directors and officers; brand damage; and loss of future licence or business opportunities, each of which may have a materially adverse effect on The Lottery Corporation Group's financial position, performance and operations. There is also the risk that The Lottery Corporation's reputation may further suffer due to public scrutiny surrounding any such investigations regardless of their outcome and this may also adversely affect The Lottery Corporation Group's ability to generate revenue or conduct its operations.

3.14.3.7 Litigation and disputes

From time to time, members of The Lottery Corporation Group may become involved in litigation and disputes (including class actions) including with regulatory or law enforcement bodies (such as the ACCC, ACMA, OAIC, the Australian Federal Police, ASIC, and State-based gambling regulators), joint venture and other business partners, stakeholders and third parties. In addition to the direct costs associated with managing any litigation or dispute and its eventual outcome, there is a risk that The Lottery Corporation Group's reputation may suffer due to the profile and public scrutiny surrounding any such litigation or disputes, regardless of their outcome. Further, there is a risk that where litigation or disputes arise between members of The Lottery Corporation Group and joint venture or other business partners with whom The Lottery Corporation Group maintains an ongoing relationship, there may be an adverse effect on such relationships and The Lottery Corporation's operations.

3.14.3.8 Supplier, customer and third party compliance with regulatory requirements

Any material failure by existing customers of The Lottery Corporation to satisfy, or to continue to satisfy, necessary regulatory requirements, including in relation to identity verification and other background checks relating to being a registered customer of The Lottery Corporation, could impact on the operations and earnings of The Lottery Corporation. There is also a risk that suppliers, retailers and distributors of The Lottery Corporation fail to adequately support The Lottery Corporation to satisfy necessary regulatory requirements, including delivery of products and/or services in the timeframes and/or to the standards required which would therefore impact The Lottery Corporation's ability to meet its regulatory obligations.

3.14.3.9 Disruption or decline in the retail network

The operating and financial performance of The Lottery Corporation's business is materially dependent on the operation of a network of licensed venues (hotels and clubs), newsagencies, convenience stores and other retail outlets which offer The Lottery Corporation's products. Significant disruption or closures of, or a decline in, these channels, whether as a result of a particular event (for example, due to adverse weather events or climate change, an epidemic or pandemic outbreak, or a natural disaster), economic conditions, changes in consumer behaviour or any other factors, may have an adverse effect on the operating and financial performance of The Lottery Corporation.

3.14.3.10 Acquisitions and other strategic opportunities

From time to time, The Lottery Corporation may choose to assess new acquisition, product or other strategic opportunities, including the opportunity to bid for new licences or participate in product arrangements both domestically and internationally, which may relate to existing businesses or new areas of operation for The Lottery Corporation. There is a risk that The Lottery Corporation may incur substantial costs, delays or encounter other problems (e.g. disputes) in implementing its strategy for any acquired businesses or strategic transactions, or be unsuccessful in bidding for new businesses, product or strategic opportunities or licences, which could adversely impact The Lottery Corporation's operations, profitability and/or reputation.

3.14.4 Operational risks

3.14.4.1 Jackpot sequencing

The revenues generated from Lotteries and Keno games are influenced by the effective sequencing of jackpot games by The Lottery Corporation to deliver attractive jackpot prize pools to players and optimise portfolio performance over the short, medium and long term. A failure by The Lottery Corporation to effectively manage the key game, portfolio and prize reserve settings could result in unsustainable jackpot sequences or those that are below customer expectations which, in turn, could have an adverse impact on the financial performance of The Lottery Corporation.

3.14.4.2 Technology, cybersecurity, data protection and privacy

The Lottery Corporation operates a range of proprietary and non-proprietary information technology systems, including hardware and software, to conduct its Lotteries and Keno businesses.

The business of The Lottery Corporation is reliant on the successful operation of technology infrastructure, which could be adversely affected by various factors, including: the age and obsolescence of equipment; the complexity of core environments; the effectiveness of business disruption arrangements, which may result in extended digital outages which prevent account customers from transacting with The Lottery Corporation products; malicious attacks on technology systems, customer and company data and regulatory information; the ability to recover from a significant hardware, network or data centre failure; and managing risks associated with outsourcing key processes and activities to third parties.

The Lottery Corporation also relies on technology infrastructure to support ongoing business growth. Where such infrastructure cannot efficiently support the changing needs of the business, this may adversely impact the reputation, operations or financial performance of The Lottery Corporation. It is anticipated that the technology which supports Keno will require updating and replacing in the near to medium term, which will require a certain degree of capital expenditure and project planning.

In addition, as discussed in Section 7.7.5, the Tabcorp Group and The Lottery Corporation Group have agreed to enter into a Transitional Services Agreement for the provision of certain transitional services by the New Tabcorp Group to The Lottery Corporation Group for a transitional period. As a result of The Lottery Corporation Group's reliance on New Tabcorp for the provision of services during the transitional period, risks associated with technology operations, cybersecurity, data protection and privacy may be heightened during the transitional period.

INFORMATION ON THE LOTTERY CORPORATION *continued*

The COVID-19 working environment has seen an enhanced threat level across all industries and organisations as opportunistic actors seek to exploit organisations' cyber defences. A significant cyber incident or prolonged failure of the computer systems and/or related infrastructure or technology security failure could adversely impact The Lottery Corporation's technology systems and equipment, prevent the operation of revenue generating functions, result in the loss or exposure of information assets, or personal customer or regulatory data could be wrongfully appropriated, lost or disclosed. Such incidents could, in turn, have an adverse impact on the reputation, operations and financial performance of The Lottery Corporation and expose The Lottery Corporation to significant regulatory enforcement actions, litigation, other disputes and financial penalties.

3.14.4.3 Business disruption

The business of The Lottery Corporation relies on the successful operation of various processes and controls and, in the event of a disruption or disaster, the successful implementation of business continuity arrangements. However, there can be no assurance that these mitigation arrangements are sufficient to entirely prevent the risk of significant business disruption. A significant business interruption would have a significant, adverse impact on the operations and financial performance of The Lottery Corporation.

3.14.4.4 Reliance on infrastructure and third party commercial arrangements

The Lottery Corporation relies on key infrastructure and third party commercial arrangements for the operation of its business. Areas where The Lottery Corporation has significant reliance on third parties include:

- provision and maintenance of telecommunications infrastructure between The Lottery Corporation's data centres and its network of retail venues for its Keno and lotteries services businesses;
- maintenance services for critical infrastructure;
- printing, supply and distribution of Instant Scratch-Its tickets;
- co-licensee arrangements for Keno in New South Wales with ClubKeno Holdings;
- Bloc agreements with LotteryWest for prize poolings and multi-jurisdictional operation of games; and
- transitional service arrangements with members of the Tabcorp Group, as set out in Section 7.7.5.

A significant malfunction or interruption to key infrastructure or a failure of, significant interruption to, or reduction in the quality of, third party products and services, including transitional service arrangements with members of the Tabcorp Group, that The Lottery Corporation relies upon for a sustained period of time, may have an adverse impact on the reputation and the operating and/or financial performance of The Lottery Corporation.

3.14.4.5 People

The Lottery Corporation's performance and the execution of its strategies depends on its ability to attract and retain key executive management and operating personnel that are sufficiently experienced and have the requisite degree of skills and capabilities needed to effectively perform their roles, and to foster a high performance and risk-focused culture. The loss of any key personnel, the inability of The Lottery Corporation to attract the requisite personnel with suitable experience, or the inability to maintain an appropriate risk-focused culture, could have an adverse effect on the performance of The Lottery Corporation and the delivery of its strategies and/or operations.

A failure by The Lottery Corporation Group to appropriately manage team members' physical and/or psychological health and wellbeing, or failure to comply with relevant workplace health and safety laws and regulations, could expose The Lottery Corporation Group (and individual employees and directors) to civil, criminal and/or regulatory action with associated financial and reputational consequences.

There is a heightened risk that the people-related initiatives which were implemented to mitigate the impacts of the COVID-19 pandemic may have an adverse impact on The Lottery Corporation's ability to attract and retain certain key executive management and personnel, as well as employee engagement and productivity. In addition, the Demerger may have had, or will have, an adverse impact on The Lottery Corporation's ability to attract and retain certain key executive management and personnel.

3.14.5 New or increased risks specifically associated with the Demerger

Following implementation of the Demerger, The Lottery Corporation will face new or increased risks as a result of being a standalone ASX-listed entity independent from the Tabcorp Group.

3.14.5.1 *Financing*

From time to time, The Lottery Corporation will be required to establish or refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided in the future. The Lottery Corporation's ability to refinance its debt on favourable terms as it becomes due, or to repay debt, and its ability to raise further finance on favourable terms for business opportunities, will depend on market conditions and The Lottery Corporation's future financial performance. In particular, The Lottery Corporation may incur higher interest rates and/or additional fees associated with future debt refinancing.

The Lottery Corporation intends to adopt a medium-term leverage policy with a target that is higher than that of the Tabcorp Group prior to the Demerger. Additionally, The Lottery Corporation's borrowings at the Implementation Date are expected to consist largely of the outstanding USPP notes, which are long-dated and have restrictive terms, which negatively impacts flexibility for the Company going forward. It is expected that this capital structure can be supported by the strength of The Lottery Corporation's credit profile; however, The Lottery Corporation's ability to service its debt will depend on its future financial performance. If The Lottery Corporation is unable to service its debt, its lenders may act to enforce their rights against it, which may impact The Lottery Corporation's financial or operating performance and impair its ability to pay dividends.

3.14.5.2 *Capital management*

Dividend and capital management capacity

The Lottery Corporation's capacity to pay dividends and undertake capital management activities will be primarily driven by earnings generated after the Demerger.

Franking capacity

The Lottery Corporation is currently part of Tabcorp's Australian tax consolidated group. At the time of the Demerger, The Lottery Corporation will exit Tabcorp's Australian tax consolidated group with a franking account balance of nil.

Accordingly, The Lottery Corporation's capacity to frank dividends will depend on its payment of Australian tax after the Demerger. The Lottery Corporation intends to form a new Australian tax consolidated group following implementation of the Demerger.

3.14.6 Financial and balance sheet risks

3.14.6.1 *Funding risks*

The Lottery Corporation will be exposed to risks relating to the cost and availability of funds to support its operations, including changes in interest rates and foreign currency exchange rates, counterparty credit and liquidity risks, each of which could impact its financing and operating activities.

In addition, The Lottery Corporation is reliant on the maintenance of robust risk management processes for game management, to ensure that jackpots and prize monies are set at appropriate levels and that The Lottery Corporation has the funds available to pay out winnings and jackpots. A failure to maintain appropriate risk management processes around game management may adversely impact on liquidity for The Lottery Corporation, which could, in turn, adversely affect the financial performance of The Lottery Corporation Group.

Further, as part of its arrangements with its external financiers including its USPP notes, The Lottery Corporation is subject to a number of customary conditions and financial covenants. The debt facilities of The Lottery Corporation also contain events of default that are standard for facilities of this nature. Any material default, or a failure to comply with such conditions and covenants by The Lottery Corporation, may require The Lottery Corporation to repay borrowings earlier than anticipated, or result in increased financing costs for

INFORMATION ON THE LOTTERY CORPORATION *continued*

The Lottery Corporation Group, which could, in turn, adversely affect the financial performance of The Lottery Corporation Group.

3.14.6.2 Ability to service or refinance debt

From time to time, The Lottery Corporation Group will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to The Lottery Corporation Group in the future. The Lottery Corporation Group's ability to refinance its debt on acceptable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its businesses and to pursue opportunities, and its borrowing costs will depend on market conditions (including as to environmental, social and governance considerations) and The Lottery Corporation Group's future operating performance. In particular, The Lottery Corporation Group may incur higher interest rates and/or additional fees associated with future debt refinancing. If The Lottery Corporation Group is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of The Lottery Corporation Group and The Lottery Corporation Group's ability to meet its financial obligations.

The Lottery Corporation Group's ability to service its debt will depend on its future financial performance and if it is unable to do so, lenders to The Lottery Corporation Group may act to enforce their rights against it, which may impact The Lottery Corporation Group's financial or operating performance.

3.14.6.3 Counterparty credit risks

The Lottery Corporation will be exposed to the risk that various counterparties, including financial entities, will fail to perform their contractual obligations in favour of The Lottery Corporation. This creates risk in a number of areas, including with respect to bank deposits and investments, and interest rate and foreign exchange risk management.

The Lottery Corporation will use contracts to hedge some or all of its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations. At the end of the deposit term or upon the maturity of the contracts, the counterparties are obligated to return or pay funds in The Lottery Corporation's favour or to otherwise deliver to The Lottery Corporation an agreed amount of a specified currency at a contracted rate. If any of these counterparties were to liquidate, become insolvent, enter voluntary administration or otherwise cease operations, they may not be able to satisfy their obligations under these time deposits or forward contracts, which could materially adversely impact The Lottery Corporation's financial position.

3.14.6.4 Credit rating risk

The Lottery Corporation intends to obtain an investment grade rating from a credit rating agency which may be reviewed, suspended, withdrawn or downgraded. The rating agency could also modify the methodologies by which it determines its ratings, which would, in turn, have an adverse impact on the rating assigned to The Lottery Corporation. The Lottery Corporation's cost of funds, margins, access to capital markets and other aspects of its financial performance may be adversely affected if it fails to maintain its credit rating.

3.14.6.5 Access to capital

From time to time, The Lottery Corporation may be required to access debt and equity financing in order to fund or expand its operations or otherwise execute on its corporate strategy. The ability to secure financing or financing on acceptable terms may be materially adversely affected by volatility in the financial markets, either globally or within a particular geographical region, industry or economic sector, or by a downgrade in its credit rating. Such inability to obtain (or an increase to the cost of obtaining) financing could have a material adverse effect on The Lottery Corporation's operations, ability to execute its corporate strategy or financial performance.

3.14.6.6 Accounting impairments

The Lottery Corporation will be required to test the indefinite life intangibles annually. In addition to goodwill and intangible assets with indefinite useful lives, all non current assets will be reviewed at each reporting period, to assess whether there is any indication of impairment. Where an indicator of impairment exists, The

Lottery Corporation will make a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and will be written down to the recoverable amount. This has an impact on The Lottery Corporation's balance sheet and its reported financial results.

Adverse changes in assumptions or outcomes of some of the risk factors listed above, as well as new developments that are not currently apparent, could trigger an impairment and have an adverse impact on the reported financial results of The Lottery Corporation.

3.14.6.7 Tax

A change to the current tax regime at the Federal, State or Territory government level may adversely affect The Lottery Corporation. There is a risk that changes to any tax laws, including the current company income tax rate and further changes to tax concessions, such as research and development expenditure, may have an adverse impact on The Lottery Corporation.

Tax payments at the Federal, State and Territory level are material to The Lottery Corporation's overall liquidity position and there is a risk that any changes to the timing or quantum of The Lottery Corporation's payment obligations to tax authorities could result in the need to source additional liquidity, which may adversely affect The Lottery Corporation's financial position, as well as its commercial arrangements with stakeholders.

3.14.6.8 Changes in accounting or financial reporting standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside The Lottery Corporation's control. Changes to accounting standards issued by the AASB, or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in The Lottery Corporation's financial statements.

3.14.7 General investment risks

3.14.7.1 Risks associated with the current global economic environment

General economic factors may affect an investment in The Lottery Corporation or the performance of The Lottery Corporation, including:

- movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for and market price of The Lottery Corporation;
- changes in government legislation and policy, in particular taxation laws, may affect the relative attractiveness of investing in The Lottery Corporation;
- the price of securities on the ASX may rise or fall due to a diverse range of non-company specific influences which may affect the market performance of The Lottery Corporation Group; and
- global or domestic recession as a result of the COVID-19 pandemic.

The operational and financial performance and position of The Lottery Corporation Group may be adversely affected by the worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable.

Section 4

Information on New Tabcorp



4.1 Business overview

4.1.1 Introduction to New Tabcorp

After the Demerger, New Tabcorp will continue to be a multi-branded, diversified wagering, media and gaming services operator with national scale and reach. With 3,357 expected employees as at 14 February 2022, New Tabcorp's business segments will consist of:

- **Wagering and Media** – a leading omni-channel wagering operator with exclusive retail licences in all States and Territories (excluding Western Australia). Operates under the 'TAB' brand, which is one of the most recognised wagering brands in Australia¹. Has a digital turnover of approximately \$9.5 billion, contributing approximately 58% of total turnover (in FY21), and an expansive retail footprint of 4,257 on-course and retail venues as at 31 December 2021, which New Tabcorp is continuing to invest in to enhance digital in-venue capabilities to support retail customer engagement.

Also comprises the 'Sky' media business, which holds long-term media rights, and is a leader in multi-venue, multi-channel racing and sports broadcasting. Sky is distributed to 4,790 agencies and licensed venues nationwide as at 31 December 2021, and telecasted to millions of viewers in Australia and around the world. Sky operates a combination of racing and sports channels which are extensively distributed directly to TAB's venue network, in-home to pay TV subscribers and over various digital platforms.

The domestic Sky business is complemented by 'Sky Racing World' (**SRW**), a US-based international racing content distributor and facilitator of associated tote pools; and 'Premier Gateway International' (**PGI**), one of the largest global tote hubs with ~£1 billion p.a. turnover.

- **Gaming Services** – Operating under the 'MAX' brand, a provider of electronic gaming machine (**EGM**) services to venues including monitoring services, financing services, maintenance services and value-added technology and advisory solutions.

New Tabcorp²

Tabcorp[®]

Wagering and Media



| | |
|----------------------|----------------------------------|
| \$2.3bn | \$414m |
| FY21 Segment Revenue | FY21 Segment EBITDA ³ |
| 1.9m | 4,257 |
| Venues serviced | Wagering venues |

Gaming Services



| | |
|----------------------|--|
| \$183m | \$71m |
| FY21 Segment Revenue | FY21 Segment EBITDA ³ |
| 3,955 | 84% |
| Venues serviced | of Australian EGMs serviced ⁴ |

¹ Source: Nature Wagering Brand Health Monitor (national excluding Western Australia) as at January 2022.

² Statistics as at 31 December 2021 unless otherwise specified.

³ Historical EBITDA (as defined in Section 3.13.2), excluding impairment and significant items, other net income/costs and net additional standalone operating costs, as per Section 4.11.5, Table 14.

⁴ Based on total number of EGMs that MAX provides at least one product or service to.

INFORMATION ON NEW TABCORP continued

Figure 24. Wagering licences/approvals year of maturity^{5,6,7,8}

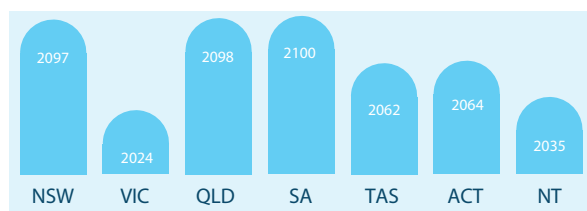
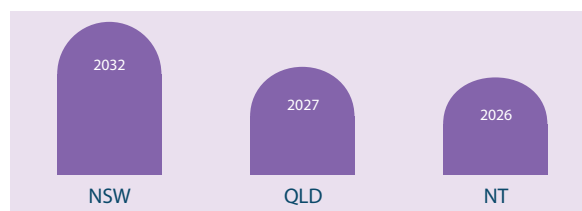


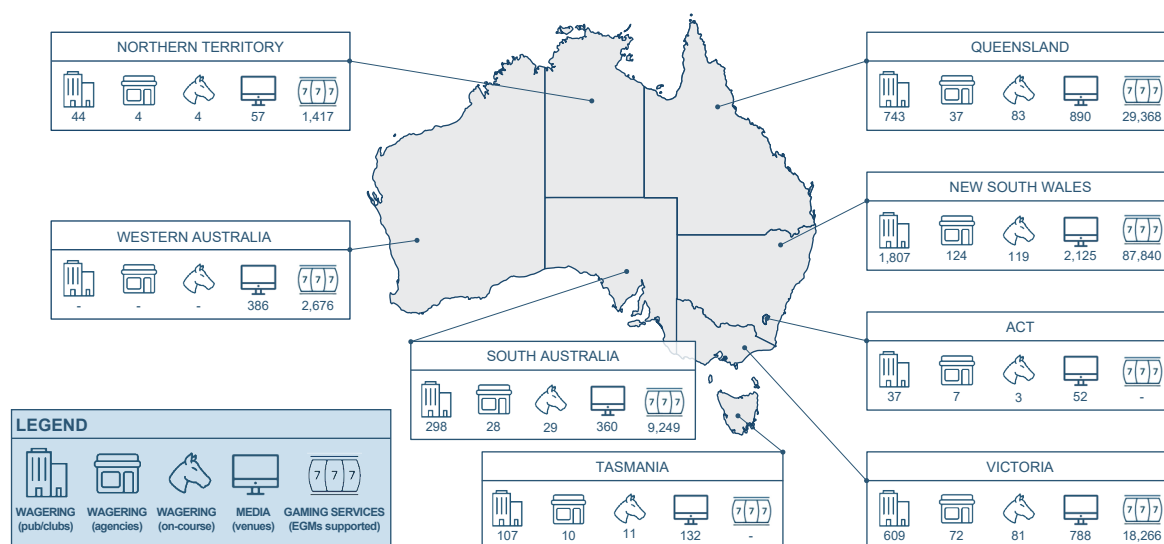
Figure 25. Monitoring licences year of maturity⁹



4.1.2 New Tabcorp national footprint

As at 31 December 2021, New Tabcorp has a broad national footprint. Customers can wager with TAB in 4,257 retail venues including pubs, clubs, agencies and on-course as well as online using various apps. New Tabcorp also provides racing and sports vision to 4,790 venues and gaming services across 3,955 venues.

Figure 26. New Tabcorp map of operations as at 31 December 2021



⁵ TAS, NSW and QLD Wagering Licence retail exclusivity period to expire in March 2027, June 2033 and June 2044 respectively.

⁶ South Australian Major Betting Operations Licence retail exclusivity period to expire in December 2032.

⁷ ACT Sports Bookmaking Licence expires in October 2029, with further rolling extensions to October 2064.

⁸ New Tabcorp will also hold licences as part of its PGI and SRW operations. The Isle of Man Totalisator Licence held by PGI expires in October 2023, with renewal capability every five years. The North Dakota (US) Totalisator Licence held by SRW expires in December 2022, with annual renewal capability.

⁹ NT and QLD monitoring licences have indefinite rolling renewal capability.

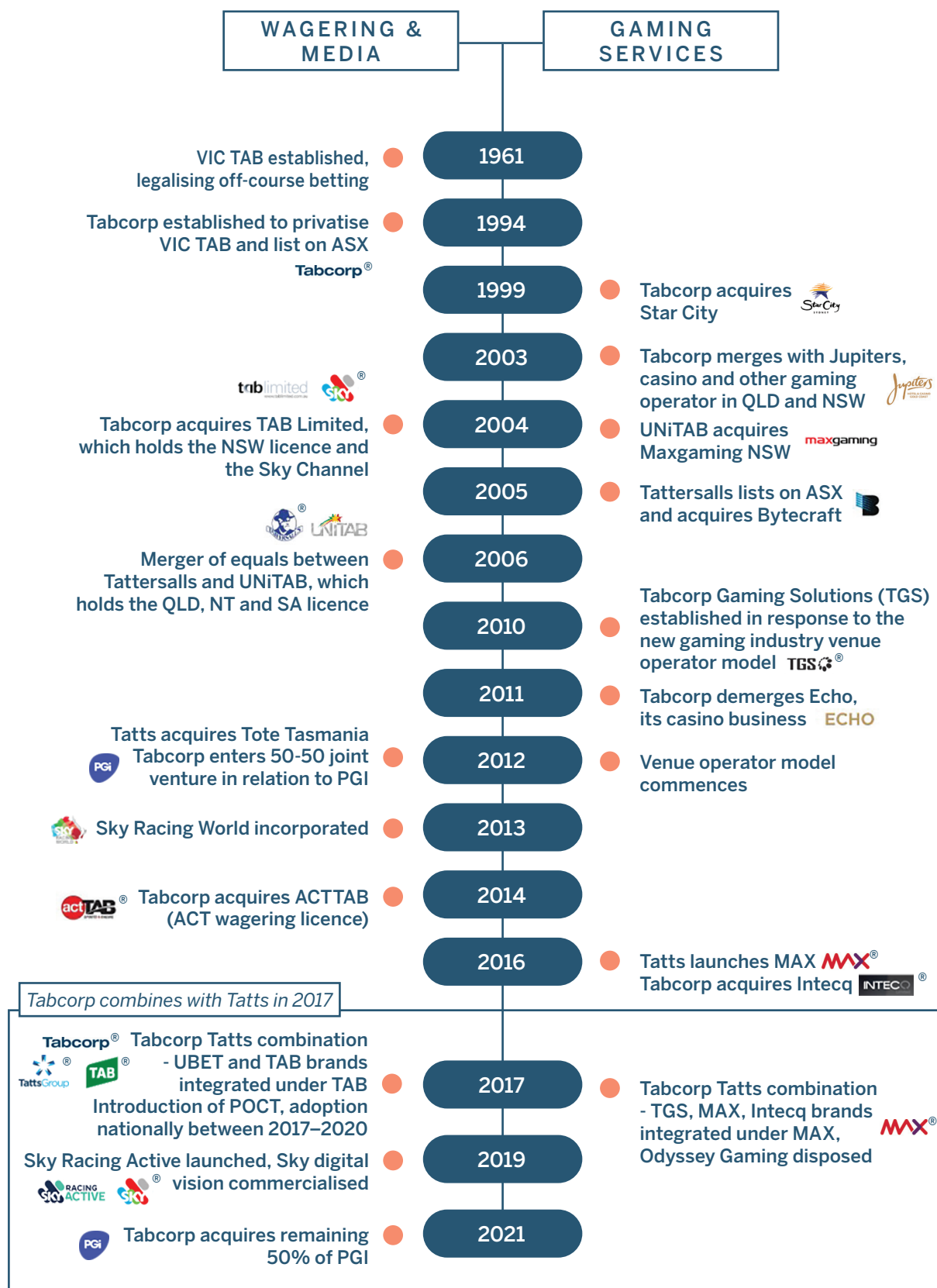
4.1.3 History of New Tabcorp's Wagering and Media and Gaming Services businesses

New Tabcorp's operations date back to 1961 as the State-owned Totalisator Agency Board of Victoria. Tabcorp commenced New South Wales wagering operations when it acquired TAB Limited in 2004 and Australian Capital Territory wagering operations when it acquired ACTTAB in 2014. Through the combination with Tatts Group in 2017, Tabcorp acquired the remaining UBET wagering operations in Queensland, South Australia, Tasmania and the Northern Territory, creating a national wagering business and realising synergies from removing duplicate wagering, bookmaking and other costs.

Tabcorp launched its gaming services business in 2010, then called 'Tabcorp Gaming Solutions (TGS)', as a result of the EGM industry shifting from a gaming operator to venue operator model, which commenced in 2012. The business incorporates Intecq Limited which was acquired by Tabcorp in 2016 and the Tatts Group gaming services business acquired by Tabcorp as part of the Tatts Group combination in 2017.

INFORMATION ON NEW TABCORP continued

Figure 27. History of New Tabcorp's Wagering and Media and Gaming Services businesses



4.2 Key strengths

4.2.1 A leading omni-channel diversified wagering operator in Australia

New Tabcorp is a leading omni-channel wagering operator in Australia, with 1.9 million active customers as at 31 December 2021 and over one billion bets taken in FY21 through its fast-growing digital platform and broad national retail footprint.

The business' omni-channel footprint provides a differentiated proposition to customers, underpinned by a portfolio of exclusive retail licences in all States and Territories (excluding Western Australia). The business' digital channel has a focus on customer experience, brand and personalisation, while its retail channel offers a unique integrated digital in-venue experience supported by 'Venue Mode' and entertaining racing and sports vision. The business is continuing to invest in its digital in-venue capabilities and omni-channel offering to further enhance customer engagement.

The TAB brand continues to be one of the most recognised wagering brands in Australia¹⁰, and has recently been transformed to include an improved, unified digital offering to drive increased digital penetration and competitiveness.

4.2.2 A leader in multi-channel racing and sports media broadcasting

New Tabcorp's Sky Media business has key contracted rights to distribute vision. It is the only provider of aggregated racing vision services in Australia, from all racing codes in all States and Territories, with digital distribution to TABs and corporate bookmakers, and also exports vision to 65 countries and 165 US operators through SRW¹¹.

Sky Media also offers a premium suite of sports channels, delivering exclusive vision from key US sports codes to the TAB retail network. With entertaining content, integration with Venue Mode and retail-specific promotions, TAB provides value for its customers and its partners on-course and in retail.

New Tabcorp benefits from synergies between Media and Wagering, with Sky promoting the TAB brand on its platform, and offering bespoke content for TAB customers.

4.2.3 Well established and growing international businesses

New Tabcorp owns 100% of SRW and PGI¹², which are well established and growing international businesses, with further growth potential.

SRW manages international distribution of racing content from Australia, New Zealand, South Africa, South Korea, Japan, Singapore and Hong Kong in the Americas, Caribbean and certain parts of Europe and also facilitates associated tote pools. PGI is one of the largest global tote hubs with ~£1 billion p.a. turnover.

4.2.4 National reach in the gaming market

New Tabcorp provides services to 84% of all EGMs in Australia¹³, and holds valuable monitoring and other gaming services related licences (which generate recurring revenues) as well as longstanding licensed venue relationships.

¹⁰ Source: Nature Wagering Brand Health Monitor (national excluding Western Australia) as at January 2022.

¹¹ As at 31 December 2021.

¹² Tabcorp acquired the remaining 50% share in PGI in February 2021.

¹³ As at 31 December 2021. Based on total number of EGMs that MAX provides at least one product or service to.

4.2.5 Strong strategy to drive earnings growth and maximise shareholder returns

New Tabcorp's management, in conjunction with its new Board, is continuing to develop the New Tabcorp strategy, with the finalised strategy to be announced to shareholders post Demerger. Set out in Section 4.6 is the framework of the new strategy, which focuses on (1) delivering compelling customer experiences; (2) addressing structural sustainability; (3) innovation and growth; and (4) delivering efficiencies.

The New Tabcorp strategy will build upon Wagering and Media and Gaming Services' strong foundation, including its data and personalisation capabilities backed by Adobe technology; strong brand position; key racing rights held by Sky Media and distributed through its digital and Sky Racing Active platforms; differentiated retail offering through digital in-venue mode; leading regulated monitoring and integrity services provided by Gaming Services; and expanding international business which has 100% ownership in PGI and SRW as well as premium US sport partnerships.

New Tabcorp intends to consider new growth opportunities, including acquisition opportunities, that may arise from time to time. New Tabcorp will assess any new licences or upcoming licence renewals with consideration to the potential returns to shareholders and the competitive advantages it could provide New Tabcorp, as well as the potential funding requirements and impact on balance sheet. New Tabcorp may also decide to pursue opportunities to divest existing assets, investments or businesses. There are risks with any acquisition or divestment as outlined in Section 4.12.3.10. New Tabcorp will announce any acquisition or divestment at the appropriate time in accordance with usual disclosure requirements.

4.2.6 Experienced Board and Executive Leadership Team

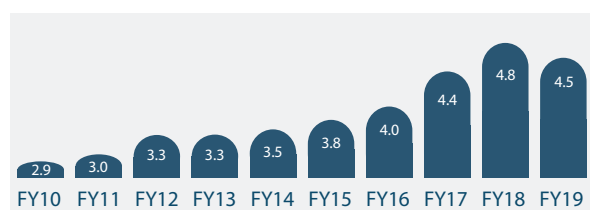
New Tabcorp will have a highly credentialed leadership team with extensive commercial and business experience as outlined in Section 4.7.

4.3 Industry overview

4.3.1 Australian wagering industry overview

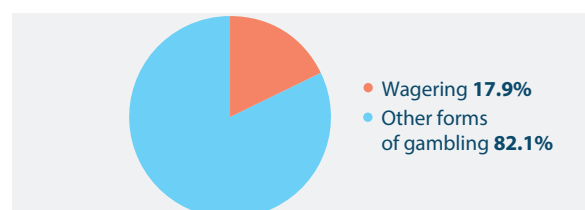
Wagering is typically conducted on racing and sporting events as well as non-sporting events such as election results and novelty events. Total Australian expenditure on wagering for the year ended 30 June 2019 was approximately \$4.5 billion, representing approximately 18% of total Australian gambling expenditure. The industry has experienced strong growth from FY10 to FY19 at approximately 5% p.a.

Figure 28. Australian wagering expenditure (\$bn)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

Figure 29. Wagering percentage of FY19 total Australian gambling expenditure (%)

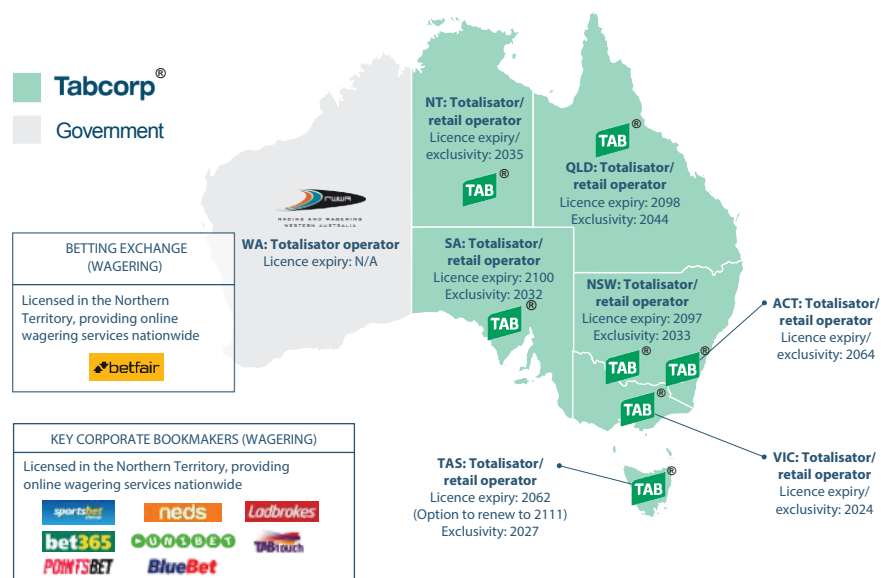


Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

The Australian wagering industry is regulated and licensed at a State and Territory level, with established controls in place to promote responsible gambling and to regulate turnover and taxes. New Tabcorp is the sole licensed totalisator operator (providing tote/pari-mutuel betting on and off-course) in all States and Territories (excluding Western Australia), and is also the sole retail wagering operator in these States and Territories. New Tabcorp is also licensed to offer fixed odds and tote betting nationwide via digital channels.

Other wagering operators in the industry include corporate bookmakers who are licensed in the Northern Territory under a Sports Bookmaker Licence to offer fixed odds betting and tote derivative products through telephone and online nationally, typically owned by international companies; betting exchanges which allow customers to wager directly against each other at fixed odds (rather than with a totalisator or bookmaker); and traditional on-course bookmakers who provide fixed odds and tote derivative betting products.

Figure 30. The Australian wagering landscape

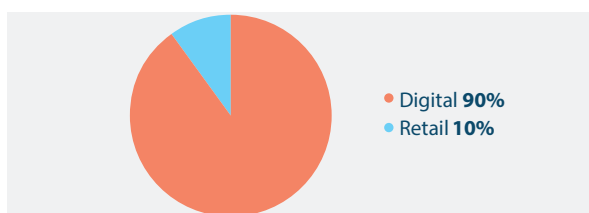


In the current licence regime, corporate bookmakers licensed in the Northern Territory enjoy a number of regulatory and fiscal advantages over New Tabcorp. Licences granted to corporate bookmakers provide them with a significant competitive advantage over the vast majority of New Tabcorp's State and Territory licences. These benefits include a lower racing industry funding requirement and relatively lower State or Territory wagering tax obligations which result in a margin advantage for corporate bookmakers compared to New Tabcorp. While the introduction of the point of consumption tax (**POCT**), a tax levied on operators based on the location of the customer, nationally in 2017 to 2020 reduced the margin disparity between corporate bookmakers and New Tabcorp, corporate bookmakers continue to hold a significant margin advantage. New Tabcorp also faces heightened regulatory and industry approval complexity as a result of the licence regime, with the multi-jurisdictional regulatory approvals and industry approvals (for various decisions) that New Tabcorp requires disadvantaging New Tabcorp's speed to market.

Similar to the lottery industry, the wagering industry is impacted by macroeconomic factors referenced in Section 3.3.1. In addition to this, there have been shifts in product preferences, predominately from racing to sports betting, and tote to fixed odds as a result of changing demographics in the customer base. Online penetration has also risen strongly over the last five years as a result of digitalisation; with COVID-19 accelerating the structural shift from retail cash betting to online during periods of government restrictions. New Tabcorp's businesses have however observed some recovery in retail during periods of re-opening.

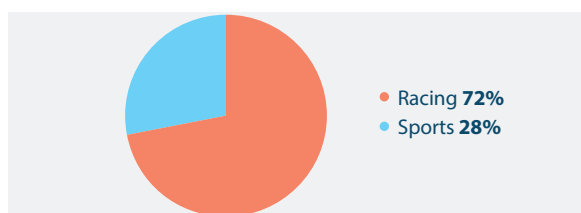
INFORMATION ON NEW TABCORP continued

Figure 31. Australian FY21 wagering turnover by channel (%)¹⁴



Source: Australian Racing Fact Book 2021

Figure 32. Australian FY21 wagering turnover by type (%)



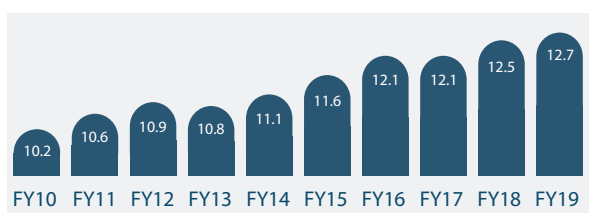
Source: Australian Racing Fact Book 2021

Other key trends impacting the industry include increased competition from corporate bookmakers seeking to win market share using their structural margin advantage, which has led to higher generosities impacting net yields as well as M&A and consolidation within the industry; product innovation with operators focused on building new product and data analytics capabilities to improve customer experience; and regulatory changes such as the introduction of advertising broadcasting restrictions in 2018 and POCT from 2017 to 2020. These factors are expected to continue impacting the dynamics of the Australian wagering industry.

4.3.2 Australian electronic gaming services industry overview

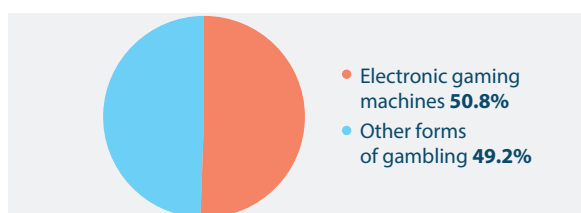
EGMs are the most popular form of gambling in Australia, with total Australian expenditure on EGMs for the year ended 30 June 2019 approximately \$12.7 billion, representing approximately 51% of total gambling expenditure. The industry is estimated to have experienced growth of approximately 2.5% p.a. over FY10 to FY19.

Figure 33. Australian EGM expenditure (\$bn)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

Figure 34. EGM percentage of FY19 total Australian gambling expenditure (%)



Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019)

There are more than 192,700 operating EGMs in Australia as at 30 June 2019. New South Wales has the largest number of EGMs, with approximately 48% of total EGMs in Australia¹⁵. The industry is highly regulated, with restrictions on EGMs in service, mandated minimum returns to players, voluntary pre-commitment systems and taxes on operators.

Gaming services providers such as New Tabcorp do not operate EGMs, but rather provide services including marketing, compliance, responsible gambling, venue refurbishment and machine procurement services for EGMs to licensed gaming venues. The industry can be divided into a number of segments, including:

- **Monitoring services:** all EGMs in licensed venues (outside of casinos) are required to be monitored by an independent party to ensure they are operating to compliance standards, as well as for taxation and research purposes.
- **Maintenance services:** repair and maintenance services in relation to EGMs.
- **Gaming systems and services:** includes providing gaming system technology and solutions to venues which hold an EGM licence and own or lease EGMs.
- **EGM procurement and financing:** procures EGMs from manufacturers and finances the purchase of EGMs by gaming venue operators in return for a fixed daily fee.

New Tabcorp operates across all of these segments.

¹⁴ Retail consists of TAB on course and retail. Digital consists of TAB phone and internet, bookmakers and corporates/exchanges.

¹⁵ Source: latest publicly available edition of the Australian Gambling Statistics (36th edition, 2019).

The growth of the gaming services industry is driven by gross gaming spend. As turnover through EGMs increases, venue owners are incentivised to further invest in value-added products and services for these machines. Product innovation has been prevalent with recent innovations including cashless solutions, ticket in ticket out functionality and customer engagement tools. Regulatory changes have also impacted the industry, including daily withdrawal limits on ATMs operating in EGM venues, requirements for gambling venues to offer self-exclusion schemes to customers and reduced EGM operating hours.

4.4 Business segments overview

4.4.1 Wagering

New Tabcorp's TAB wagering brand is a leading omni-channel provider of integrated wagering content in Australia, with a unique combination of digital, retail and media assets. TAB's retail network consists of TAB agencies, hotels, pubs and clubs as well as on-course operations; and is complemented by TAB's nationally available online, app and call-centre platforms.

The wagering licences held by New Tabcorp across each State and Territory in Australia (excluding Western Australia) enable it to exclusively offer totalisator and cash betting on racing and sporting events through retail. New Tabcorp, as well as on-course bookmakers, are also able to offer on-course cash betting. The terms of each licence vary by each State and Territory, and New Tabcorp is also party to commercial arrangements with representatives of the New South Wales, Victorian, South Australian and Queensland racing industries in relation to activities conducted under the wagering licences of these States.

The current Victorian wagering licence expires in 2024 and the Victorian Government has commenced its market process for the next licence. Consistent with New Tabcorp's strategy, New Tabcorp will carefully review the potential arrangements.

Figure 35. FY21 turnover by channel¹⁶ (%)

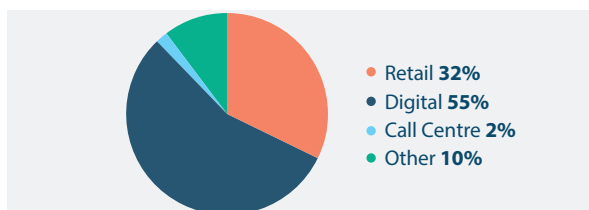
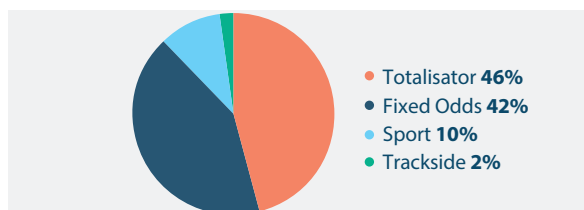


Figure 36. FY21 revenue by product (%)

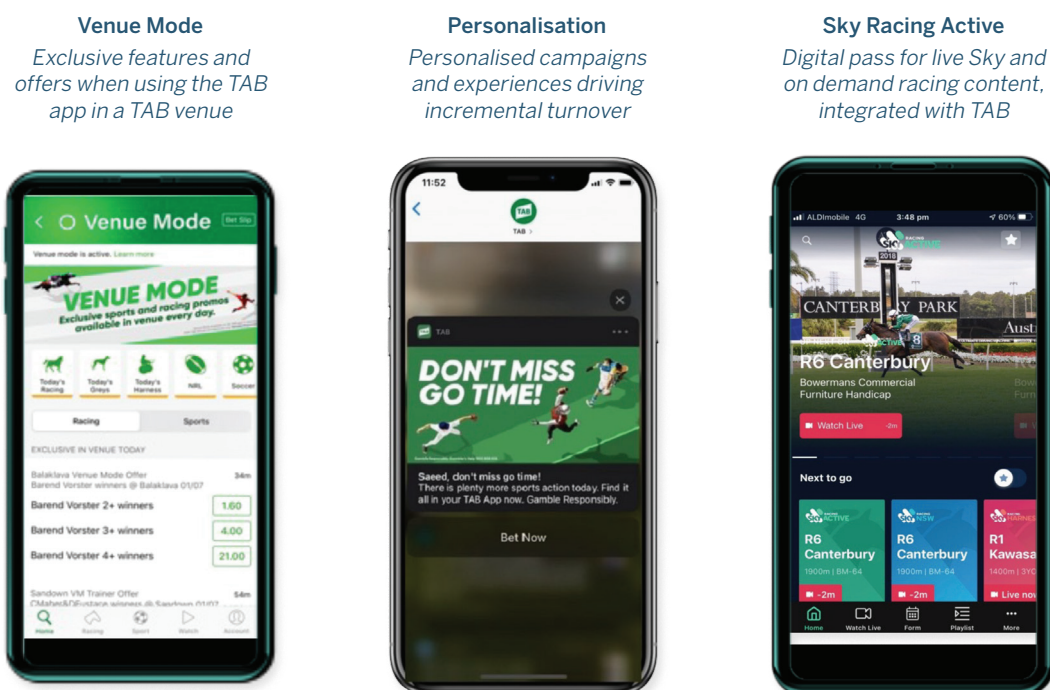


New Tabcorp's Wagering and Media business has undergone transformation over the past four years. Through the Tatts Group combination in 2017, Tabcorp combined its existing TAB wagering operations in Victoria, New South Wales and the Australian Capital Territory with Tatts Group's UBET wagering operations in Queensland, South Australia, Tasmania and the Northern Territory, integrating the two brands to create a unique TAB brand position. Over the last two years, Tabcorp has also invested in combining the TAB venue and digital experience through Venue Mode, integrating Sky and digital TAB, and deploying an all-new data and personalisation capability backed by Adobe technology. New Tabcorp intends to continue investing in its digital in-venue capability to support retail customer engagement as a response to the continued increasing penetration of online wagering channels.

¹⁶ Other turnover comprises on-course, premium customers and PGI.

INFORMATION ON NEW TABCORP continued

Figure 37. TAB recent platform transformations



4.4.2 Media

New Tabcorp's Sky Media business, which holds long-term media rights, is a leader in multi-venue, multi-channel racing and sports broadcasting. Sky is distributed to 4,790 agencies and licensed venues nationwide¹⁷, and telecasted to millions of viewers in Australia and around the world. Sky operates a combination of racing and sports channels which are extensively distributed directly to TAB's venue network, in-home to pay TV subscribers and over various digital platforms:

- **Sky 1 and Sky 2:** broadcasts 24 hours a day, 7 days a week, approximately 140,000 live domestic and international thoroughbred, harness and greyhound racing events per annum; providing comprehensive racing coverage.
- **Sky Thoroughbred Central:** broadcasts thoroughbred racing from Australia and internationally, with analysis, mounting yard and expert comments.
- **Sky Sports:** multiple channels broadcasting premium US vision under key US sports partnerships, including 24/7 network channels from the National Basketball Association (**NBA**), Major League Baseball (**MLB**) and National Football League (**NFL**).

Sky generates revenue from agency and venue subscriptions, through a fixed and variable fee model for vision which is linked to wagering activity. Sky also distributes Sky 1 and Sky 2 racing channels that provide aggregated racing vision from all racing codes in all Australian States and Territories, to wagering operators including Sportsbet and Racing & Wagering WA on commercial terms; and distributes digital content through its over-the-top Sky Racing Active app, as well as via Foxtel and on-course.

New Tabcorp also owns and operates the Sky Sports Radio network which operates in New South Wales and the Australian Capital Territory and the RadioTAB network which operates in Queensland, South Australia, Tasmania and the Northern Territory.

Sky Media's broadcasting channels are depicted below, with the NFL network, MLB network and NBA TV distributed under licence from US major league rights holders.

¹⁷ As at 31 December 2021.

Figure 38. Sky Media broadcasting channels



4.4.3 Sky Racing World

SRW is a US-based wholly owned subsidiary of New Tabcorp which manages the marketing and distribution of racing content from Australia, New Zealand, South Africa, South Korea, Japan, Singapore and Hong Kong in the Americas, Caribbean and certain parts of Europe. SRW also assists with importing racing content from across the globe into Australia and conducts a separate tote pool, hosted by PGI, for racing from Australia, Korea and Japan.

SRW recently acquired a North Dakota Totalisator Licence which enables the co-mingling of US wagering operators with New Tabcorp's domestic pools. The North Dakota Totalisator Licence held by SRW expires in December 2022, with annual renewal capability.

4.4.4 Premier Gateway International

PGI is a wholly owned subsidiary of New Tabcorp which operates an international wagering and tote pooling hub. Licensed and operating out of the Isle of Man, PGI is one of the largest global tote hubs and is also the only tote pooling hub that operates 24 hours a day, 7 days a week, 365 days a year. Primarily a B2B enterprise, PGI enables wagering operators and premium customers to connect to most of the global tote pools, and covers up to 140 race meetings on a daily basis on thoroughbred, harness and greyhound codes.

From 2012 to 2020, PGI was a 50/50 joint venture between Phumelela Gold International Limited and Tabcorp. In February 2021, Tabcorp purchased the remaining 50% of PGI from Phumelela Gold International Limited.

4.4.5 Gaming Services

New Tabcorp's MAX business is a provider of a comprehensive suite of end-to-end products and gaming services solutions including monitoring services, financing, gaming systems and services, and maintenance services. The MAX business includes the Tatts Group gaming services business acquired by Tabcorp as part of the Tatts Group combination in 2017 and Intecq Limited, which was acquired by Tabcorp in December 2016. The MAX business does not operate EGMs following the regulatory changes in 2012, which caused Tabcorp to shift from an EGM operator model to an EGM services provision model.

Gaming Services was significantly impacted by COVID-19 restrictions on licensed venues, with Tabcorp suspending all material fees for venue partners during the period in which their gaming floors were not operational. As gaming floor operations recommenced, fees were scaled up progressively to return to pre-COVID-19 levels. More information on the impact of COVID-19 on Gaming Services is provided in Section 4.5.

4.4.5.1 MAX Regulatory Services

MAX Regulatory Services (**MRS**) is the sole operator of EGM monitoring services in both New South Wales and the Northern Territory and one of three licensed operators (with 73% market share¹⁸) in Queensland. EGM monitoring is a government mandated requirement to ensure venue operations comply with legislated standards as well as to calculate and administer taxation. MRS also provides services to venues including gaming and promotional management systems and maintenance which is outsourced to MAX Technical Services (**MTS**).

4.4.5.2 MAX Performance Solutions

MAX Performance Solutions (**MPS**) provides procurement and financing support to venues through EGM leasing arrangements. MPS enters into contracts with venues in which it purchases EGM and leases each machine back to a venue for a fixed daily fee. MPS also provides value-added services to maximise performance of EGMs within venues including machine selection, product and system deployment, gaming analytics and insights reporting. Of the currently contracted EGMs, approximately half have been extended (generally to 2027 to 2030) on the current model, one-third will not be extended post August 2022, and discussions are continuing for the balance. MPS is licensed in Victoria, New South Wales, Queensland and the Australian Capital Territory.

4.4.5.3 MAX Integrated Systems

MAX Integrated Systems (**MIS**) develops and markets a range of technology solutions and system enhancements for venues to improve venue efficiency and performance such as loyalty gaming systems, pre-commitment systems, marketing systems, cashless gaming solutions and internal reporting systems. MIS provides support to venues from deploying gaming systems and technology into terminals to providing personalised onboarding and training and access to 24/7 support.

4.4.5.4 MAX Technical Services

MTS provides customers 24/7 on-site technical support and maintenance services including logistics, installation or relocation of EGMs as well the repair and maintenance of EGMs, lottery and wagering terminals and other transaction devices across Australia. MTS has a national workforce of over 570 employees¹⁹. This includes fully qualified technicians, a national network of support services, help desks, in-house repair centres and warehouses. This team supports over 350,000 field service call-outs per annum nationally.

MTS also provides maintenance services in-house to New Tabcorp and will continue to provide services to The Lottery Corporation via a commercial arrangement.

¹⁸ As at 31 December 2021.

¹⁹ Around 500 staff plus 70 regional subcontractors (which are not included in New Tabcorp's headcount) as at 31 December 2021.

4.5 Impact of COVID-19 on New Tabcorp's businesses

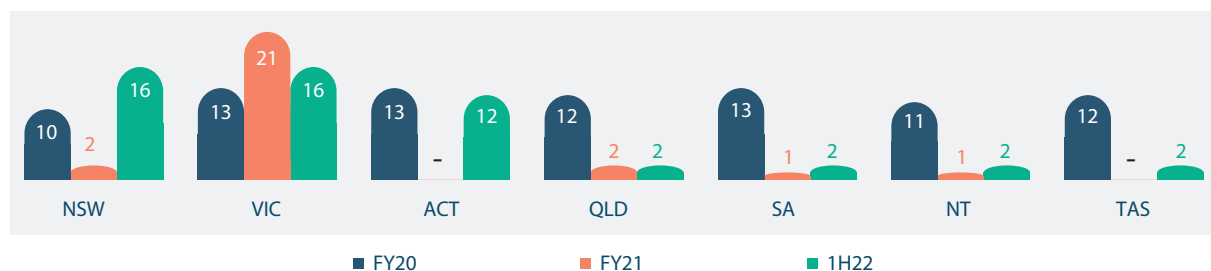
In recent years, COVID-19 significantly affected New Tabcorp's Wagering and Media and Gaming Services business segments as a result of retail venue restrictions and closures.

Wagering was negatively impacted by retail restrictions and closures, with the number of weeks impacted fully or partially by government mandated lockdowns in retail venues totalling 13 weeks in FY20, 25 weeks in FY21 and 17 weeks in 1H22. In addition to this, the sports and international racing events calendar was disrupted during COVID-19 as a result of cancellations and postponements. While Wagering experienced increased uptake in its online products, offsetting some of the retail revenue loss, there was strong competition from corporate bookmakers. Media also provided Sky subscription relief to venues totalling \$20 million in FY20, \$13 million in FY21 and \$15 million in 1H22.

Gaming Services was also negatively impacted by retail restrictions and closures, with Gaming Services providing temporary full fee relief during venue closures. Total number of weeks impacted fully or partially by government mandated lockdowns in retail venues totalled 14 weeks in FY20, 48 weeks in FY21 and 22 weeks in 1H22, and Tabcorp provided fee relief of \$62 million in FY20, \$76 million in FY21 and \$42 million in 1H22.

Wagering and Media and Gaming Services has also been affected by the emergence and spread of new variants such as Omicron, through disruptions to services and supply chains as well as nationwide staffing shortages. The long-term impacts on general economic or industry conditions, consumer discretionary spending and consumer confidence remain uncertain.

Figure 39. Number of weeks retail fully or partially impacted by government mandated lockdown



Through COVID-19, Tabcorp has prioritised the safety and wellbeing of staff and partners, maintaining continuity of operations and controlling costs and expenditures. Initiatives taken on a Group level to mitigate the impacts of COVID-19 included:


- temporary standing down of employees, reducing technology contractors and reducing MD & CEO fixed remuneration and Board fees;
- reducing the working week and annual leave balances; and
- significantly reducing discretionary expenditure including capital expenditure.

Continued uncertainty from the emergence of new COVID-19 variants and any further government restrictions (including lockdowns) in response to COVID-19 may also impact performance.

4.6 Growth strategy

New Tabcorp's management, in conjunction with its new Board, is continuing to develop the New Tabcorp strategy, with the finalised strategy to be announced to shareholders post Demerger. The new strategy framework will focus on the following key elements as detailed in Figure 40.

Figure 40. New Tabcorp growth strategy

| | |
|---|--|
| 1. Customer experiences  | <p>New Tabcorp plans to leverage its key assets and modernise its technology to create highly attractive customer experiences that appeal to existing and new customers. This includes creating compelling omni-channel customer experiences through deeper integration across digital, retail and Media, delivering innovative products, seamless experiences and entertaining vision content across New Tabcorp's transformed digital channel and modernised retail network.</p> |
| 2. Sustainability  | <p>New Tabcorp intends to address and respond to the dynamic competitive landscape and the structural market changes in the Australian wagering and gaming industry. This includes investing in customer innovation and customer experiences (as mentioned in Element 1) to compete more effectively, as well as working with partners and government, to advocate for positive industry change to create a more sustainable Australian wagering and gaming industry that benefits customers, racing bodies, governments, pubs and clubs. This includes championing potential simplification and harmonisation of licences, industry funding, regulatory approval regimes and supporting industry integrity (Industry Change). In addition to its own investment in innovation and customer experience, any such Industry Change would enhance New Tabcorp's ability to compete more effectively; recognising, there is no certainty that any Industry Change will occur.</p> |
| 3. Innovation and growth  | <p>New Tabcorp intends to explore opportunities in emerging technologies, new products and integrity services, new customer experiences and new markets and licences to innovate and grow New Tabcorp's offering and in-house capabilities.</p> |
| 4. Deliver efficiencies  | <p>New Tabcorp aims to continuously improve and enhance its operational and process management, streamline and strengthen its operational systems and processes, as well as enforce rigorous cost management initiatives.</p> |

4.7 New Tabcorp governance, Board and Executive Leadership Team




4.7.1 New Tabcorp Board post Demerger

As a result of the Demerger there will be a number of changes to the Tabcorp Board, which are outlined below:



- Mr Steven Gregg will join The Lottery Corporation as its inaugural Chairman and will retire from the Tabcorp Board;
- Mr David Attenborough will retire from the Tabcorp Board on the Implementation Date;
- Mr Bruce Akhurst will be appointed Chairman of New Tabcorp;
- Mr Harry Boon and Ms Anne Brennan will be appointed as Non-Executive Directors of The Lottery Corporation and will retire from the Tabcorp Board; and
- Mr David Gallop, Ms Janette Kendall and Mr Justin Milne will continue as Non-Executive Directors of New Tabcorp.

Biographical details of the New Tabcorp Board members post Demerger are set out below.

Figure 41. New Tabcorp Board


| | |
|--|--|
|  <p>Bruce Akhurst Independent Chairman</p> | <p>Bruce Akhurst is a Director of McMillan Shakespeare Limited. He is also Chairman of the Peter MacCallum Cancer Foundation and a Council Member of RMIT University.</p> <p>Mr Akhurst was the Executive Chairman of Adstream Holdings Pty Ltd and was a Director of Vocus Group Limited and private investment company Paul Ramsay Holdings Pty Ltd. In his executive career, Mr Akhurst was Chief Executive Officer of Sensis Pty Ltd from 2005 to 2012 and a Director and Chairman of Foxtel. He also spent seven years as Group Managing Director and Group General Counsel at Telstra Corporation Limited, and prior to that he was a Partner at Mallesons Stephen Jaques.</p> <p>Mr Akhurst is currently the Chairman of the Tabcorp Risk and Compliance Committee and a member of the Tabcorp People and Remuneration Committee, Tabcorp Nomination Committee and Tabcorp Technology Committee.</p> <p>Mr Akhurst holds a Bachelor of Economics (Honours) and a Bachelor of Laws, and is a Fellow of AICD.</p> |
|  <p>Adam Rytenskild Managing Director and Chief Executive Officer</p> | <p>Adam Rytenskild joined Tabcorp in 2000 and has been a member of Tabcorp's ELT since 2010. During this time he has led Wagering's Digital and Retail Operations, Gaming Services business, Keno business and has been Managing Director – Wagering and Media since the Tabcorp-Tatts Group combination in December 2017.</p> <p>Mr Rytenskild has over 20 years' experience in gambling entertainment and leading complex, customer focused businesses that are heavily regulated, have multiple stakeholders, and operate in dynamic and highly competitive digital markets.</p> <p>Mr Rytenskild is an Alternate Director of the Australasian Gaming Council and is a Member of AICD.</p> <p>Mr Rytenskild holds a Master of Business Administration from Mt Eliza Business School, has attended the Senior Executive Program at the London Business School and the Executive Breakthrough Program with Egon Zehnder.</p> |
|  <p>David Gallop Independent Non-Executive Director</p> | <p>David Gallop AM is Chairman of Step One Clothing Limited, Chairman of Alacria Pty Ltd, a Director of Australasian Media Company Pty Ltd and is on the Board of Cricket NSW.</p> <p>Mr Gallop was previously the Chief Executive Officer and General Secretary of Football Federation Australia from 2012 to 2019 and Chief Executive Officer of the National Rugby League from 2002 to 2012. He also held senior legal roles with the National Rugby League, News Corporation and law firm Holman Webb.</p> <p>Mr Gallop has served on numerous sports governing bodies including the Australian Sports Commission, Rugby League International Federation and the Asian Football Confederation's 2015 AFC Asian Cup Local Organising Committee.</p> <p>Mr Gallop is currently the Chairman of the Tabcorp People and Remuneration Committee and a member of the Tabcorp Audit Committee and Tabcorp Nomination Committee.</p> <p>Mr Gallop holds a Bachelor of Laws and a Bachelor of Arts, and is a Graduate Member of the AICD.</p> |



INFORMATION ON NEW TABCORP continued

| | |
|--|--|
|  <p>Janette Kendall Independent Non-Executive Director</p> | <p>Janette Kendall is a Director of Vicinity Centres, Costa Group Holdings Limited and KM Property Funds Limited.</p> <p>Ms Kendall previously served as a Director of Nine Entertainment Co. Holdings Limited, Wellcom Worldwide Pty Ltd, Australian VenueCo and the Melbourne Theatre Company.</p> <p>During her executive career, Ms Kendall served in various senior management roles including as Senior Vice President of Marketing at Galaxy Entertainment Group in China, Executive General Manager of Marketing at Crown Resorts, General Manager and Divisional Manager roles at Pacific Brands, Managing Director of emitch Limited, and Executive Director of Clemenger BBDO.</p> <p>Ms Kendall is currently a member of the Tabcorp Audit Committee, Tabcorp People and Remuneration Committee, Tabcorp Technology Committee and Tabcorp Nomination Committee.</p> <p>Ms Kendall holds a Bachelor of Business (Marketing). She is a Fellow of the AICD and a member of Chief Executive Women.</p> |
|  <p>Justin Milne Independent Non-Executive Director</p> | <p>Justin Milne is a former Chairman of NetComm Wireless Limited, MYOB Group Limited, Australian Broadcasting Corporation and pieNETWORKS Limited, and was a Director of NBN Co Limited, SMS Management and Technology Limited, Members Equity Bank Limited and Basketball Australia Limited.</p> <p>Mr Milne had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses, and headed up Telstra's BigPond New Media businesses in the People's Republic of China. He was also the Chief Executive Officer of OzEmail and the Microsoft Network.</p> <p>Mr Milne is currently the Chairman of the Tabcorp Technology Committee and a member of the Tabcorp Risk and Compliance Committee and Tabcorp Nomination Committee.</p> <p>Mr Milne holds a Bachelor of Arts, and is a Fellow of AICD.</p> |

Subject to receipt of necessary regulatory and ministerial consents, it is intended that Mr Brett Chenoweth, Ms Raelene Murphy and Ms Karen Stocks will also be appointed as Non-Executive Directors of New Tabcorp following the Demerger. It is intended that, from the Implementation Date and until they receive the necessary approvals mentioned, Mr Brett Chenoweth, Ms Raelene Murphy and Ms Karen Stocks will be observers to the Board. None of them have been involved in the preparation of this Demerger Booklet and, to the maximum extent permitted by law, they each expressly disclaim and take no responsibility for any statements in or omissions from this Demerger Booklet.

Figure 42. Directors to be appointed to the New Tabcorp Board following the Demerger

| | |
|--|--|
|  <p>Brett Chenoweth Independent Non-Executive Director</p> | <p>Brett Chenoweth is Chairman of Adairs Limited, Madman Entertainment Pty Ltd, Canberra Data Centres, The Bombora Group and The Advisory Board of HRL Morrison & Co. He is also a Director of Vodafone New Zealand Limited, Janison Education Group Limited and Surfing Australia Limited.</p> <p>Mr Chenoweth was previously the CEO and Managing Director of APN News and Media Limited, and has held senior executive roles at the New York based investment firm Silverfern Group, Telecom New Zealand Limited, Publishing & Broadcasting Limited and Village Roadshow Limited.</p> <p>Mr Chenoweth holds a Bachelor of Laws, Bachelor of Economics and a Graduate Diploma in Applied Finance and Investment.</p> |
|--|--|

| | |
|---|---|
|  <p>Raelene Murphy Independent Non-Executive Director</p> | <p>Raelene Murphy is a Director of Elders Limited, Bega Cheese Limited, Integral Diagnostics Limited and Altium Limited.</p> <p>Ms Murphy was previously a Director of Clean Seas Seafood Limited, Service Stream Limited and Tassal Group Limited.</p> <p>Ms Murphy had an executive career in finance and business turnaround, and has previously been the CEO of The Delta Group and a Managing Director of KordaMentha's 333 Management practice.</p> <p>Ms Murphy holds a Bachelor of Business (Accounting). She is a Fellow of the Institute of Chartered Accountants, Australia and New Zealand, and is a Graduate Member of AICD.</p> |
|  <p>Karen Stocks Independent Non-Executive Director</p> | <p>Karen Stocks is currently Managing Director, Global Measurement Solutions at Google Inc. Previously she was founding Managing Director of Twitter Australia, and held several leadership roles at Google Australia, including as Managing Director, New Products and Solutions APAC, and at Vodafone Australia.</p> <p>Ms Stocks is a senior technology and media executive, with extensive experience in the technology sector, media, data, and customer experience.</p> <p>Ms Stocks was previously a Director of Netball Australia.</p> <p>Ms Stocks holds a Bachelor of Financial Administration, CPA Certificate and a Master of Business Administration. She is also a Fellow of CPA Australia.</p> |

4.7.2 New Tabcorp Executive Leadership Team




As a result of the Demerger there will also be a number of changes to the Tabcorp ELT, as outlined below:

- Mr Adam Rytenskild, who is currently the Managing Director of Wagering and Media, will be appointed MD & CEO of New Tabcorp;
- Ms Sue van der Merwe, who is currently the Managing Director of Lotteries and Keno, will be appointed MD & CEO of The Lottery Corporation and will cease employment with Tabcorp;
- Patrick McGlinchey will be appointed as Chief Legal & Risk Officer and Co-Company Secretary of The Lottery Corporation and will cease employment with Tabcorp;
- Adam Newman will be appointed as Chief Financial Officer of The Lottery Corporation and will cease employment with Tabcorp; and
- Michelle Williams will be appointed as Chief People Officer of The Lottery Corporation and will cease employment with Tabcorp.

INFORMATION ON NEW TABCORP *continued*

If the Demerger proceeds, the ELT of New Tabcorp will be comprised of experienced executives. Biographical details for the proposed ELT are set out below.

Figure 43. New Tabcorp Executive Leadership Team

| | |
|---|--|
|  <p>Adam Rytenskild Managing Director and Chief Executive Officer</p> | <p>See Section 4.7.1.</p> |
|  <p>Jenni Barnett Chief Customer Officer</p> | <p>Jenni Barnett is a senior executive with over 20 years' experience working with large organisations and in the not-for-profit sector. Her broad experience and expertise includes digital transformation, marketing, and product management.</p> <p>Prior to commencing in New Tabcorp, Ms Barnett held the role of Executive Director, Telstra Digital, where she led the digital transformation to meet customer needs and deliver on Telstra's T22 strategy. Prior to this, Ms Barnett worked at the Commonwealth Bank of Australia in a range of senior product and marketing roles, where she was one of the executives responsible for establishing the digital team at the Commonwealth Bank of Australia.</p> <p>Ms Barnett holds a Bachelor of Social Science, and a Master of Business (Marketing), and is a Graduate Member of AICD.</p> |
|  <p>Sharon Broadley Chief People Officer</p> | <p>Sharon Broadley joined Tabcorp in October 2010 as General Manager Talent and Organisational Development and is currently Tabcorp's General Manager Employee Experience. Ms Broadley will commence as Chief People Officer of New Tabcorp.</p> <p>Ms Broadley has led the people workstreams of major organisational change programs at Tabcorp including for the combination with Tatts Group and the proposed Demerger of The Lottery Corporation.</p> <p>Ms Broadley has more than 20 years of experience in organisational development, talent and performance management, culture programs, change management, employee engagement, leadership and executive development. Prior to joining Tabcorp she held senior people leadership roles including with Fosters Group Limited and Oracle Corporation.</p> <p>Ms Broadley holds a Bachelor of Education and Training and an Associate Diploma of Training and Development.</p> |

| | |
|--|--|
|  <p>Tom Callachor Chief Industry & Corporate Affairs Officer</p> | <p>Tom Callachor commenced with Tabcorp in April 2015 and has been the General Manager Government and Industry Relations responsible for the Group's government and industry affairs strategy and stakeholder engagement. Mr Callachor will commence as Chief Industry & Corporate Affairs Officer of New Tabcorp.</p> <p>Mr Callachor has over 20 years of experience working in government and public affairs. Prior to joining Tabcorp, Mr Callachor spent five years working as a Chief of Staff for various NSW Government Ministers. During this time his responsibilities focused on strategy, policy and working with government, industry and other stakeholders to implement key government decisions. Prior to his time in NSW Government, Mr Callachor spent 10 years working at PwC in the government and public sector advisory areas.</p> <p>Mr Callachor holds a Bachelor of Business (Accounting and Human Resource Management), an Executive Certificate in Positive Psychology Coaching, and has attended Executive Education at the Stanford University's Graduate School of Business. Mr Callachor is a Member of AICD.</p> |
|  <p>Paul Carew Chief Operating Officer (Gaming Services)</p> | <p>Paul Carew commenced as Chief Operating Officer – Gaming Services in February 2020. Since joining Tabcorp in 2006, he has held various senior management positions across the Gaming, Retail Wagering and Keno businesses.</p> <p>In his current role, Mr Carew leads a diverse business covering Regulatory Services, Technical Services, Customer and Insights, Value-added Venue Services and Venue Support functions in a B2B capacity.</p> <p>Mr Carew has over 25 years of experience in the gaming and hospitality sector and has worked across all Australian jurisdictions. He has held senior roles in the beverage industry with Carlton and United Breweries and was previously a licenced venue owner and operator.</p> <p>Mr Carew holds a Bachelor of Commerce, Marketing and Management, and has attended the University of Nevada Executive Development Program in the USA.</p> |
|  <p>John Fitzgerald Chief Legal & Risk Officer</p> | <p>John Fitzgerald is expected to commence as Chief Legal & Risk Officer of New Tabcorp shortly after the Implementation Date.</p> <p>Mr Fitzgerald has extensive experience working as a senior executive in roles spanning legal, risk, audit, regulatory compliance and corporate governance. His expertise includes leading commercial advisory and governance functions, and managing large-scale transactions, projects and litigation.</p> <p>Prior to commencing in New Tabcorp, Mr Fitzgerald was General Counsel and Company Secretary at AGL Energy Limited where he led the legal, risk, compliance and advisory function, most recently during that organisation's demerger. Mr Fitzgerald also has experience working in both government and private legal practice and is an experienced Company Secretary.</p> <p>Mr Fitzgerald holds a Bachelor of Arts, a Bachelor of Laws and a Master of Arts.</p> |

INFORMATION ON NEW TABCORP *continued*

| | |
|--|---|
|  <p>Dan Renshaw Chief Financial Officer</p> | <p>Dan Renshaw commenced at Tabcorp in December 2012 and is currently the Executive General Manager Finance and Commercial for the Wagering and Media business. Mr Renshaw will commence as Chief Financial Officer of New Tabcorp.</p> <p>Mr Renshaw previously held the roles of General Manager Finance and Commercial for Keno and Gaming Services, and General Manager Investor Relations at Tabcorp.</p> <p>Mr Renshaw has over 20 years of experience in finance, strategy, commercial, investor relations, investment banking and equity markets. Prior to joining Tabcorp Mr Renshaw was Senior Director at Merrill Lynch, leading Gaming Equity Research across Australia, New Zealand and Asia. Mr Renshaw was also an Equity Analyst at Citigroup and was Group General Manager Corporate Strategy at Tote Tasmania for three years.</p> <p>Mr Renshaw holds a Bachelor of Commerce (Economics and Finance) and qualified as a Chartered Accountant.</p> |
|  <p>Rebecca Riant Chief Operating Officer (Wagering and Media)</p> | <p>Rebecca Riant commenced at Tabcorp in August 2020 as Executive General Manager Sustainability, Markets and CX Delivery for the Wagering and Media business. Ms Riant will commence as Chief Operating Officer – Wagering and Media of New Tabcorp.</p> <p>Ms Riant has almost 30 years of experience in finance, equities and derivatives, foreign exchange, investment products, retail distribution, investment banking, strategy, regulatory and transformational change programs. Ms Riant has worked in senior leadership roles with the Commonwealth Bank of Australia and Westpac Banking Corporation, as well as other financial institutions and market operators. Ms Riant has experience across risk management, compliance, corporate governance, operational, strategy, data and analytics, innovation investment, international expansion and business optimisation.</p> <p>Ms Riant holds a Bachelor of Arts (Criminology and Criminal Justice). She is a Graduate Member of AICD and a Member of the Australian Financial Markets Association.</p> |
|  <p>Alan Sharvin Chief Information Officer</p> | <p>Alan Sharvin is a senior technology executive with deep experience across multi-national organisations. His expertise includes digital strategy, omni-channel, transformation and modern technology practices, with extensive experience in wagering.</p> <p>Prior to commencing in New Tabcorp, Mr Sharvin worked as Head of Digital at Reece Group, where he led the digital customer product and technology functions. Mr Sharvin previously work at Tabcorp in 2018 to 2019 where he led the Technology function for the Wagering and Media business. He has also held senior roles at Amazon and Sportsbet.</p> <p>Mr Sharvin holds a Bachelor of Science, Computer Science & Mathematics.</p> |
|  <p>Angus Tiet Chief Strategy & Ventures Officer</p> | <p>Angus Tiet has extensive experience working as a senior executive in digital and growth organisations, including within the gaming sector. His expertise spans strategy, mergers and acquisitions, finance and business operations. He has held numerous leadership roles in businesses across the USA, Europe and Asia Pacific.</p> <p>Prior to commencing in New Tabcorp, Mr Tiet held the role of Senior Vice President Strategy and Business Development at Aristocrat Digital (now Pixel United). Mr Tiet has also previously held the role of Chief Financial Officer at Aristocrat Digital, and Chief of Staff for the broader Aristocrat Group, both based in the USA.</p> <p>Mr Tiet holds a Bachelor of Laws and Bachelor of Business, and an Executive Master of Business Administration. He is also a member of CA ANZ.</p> |

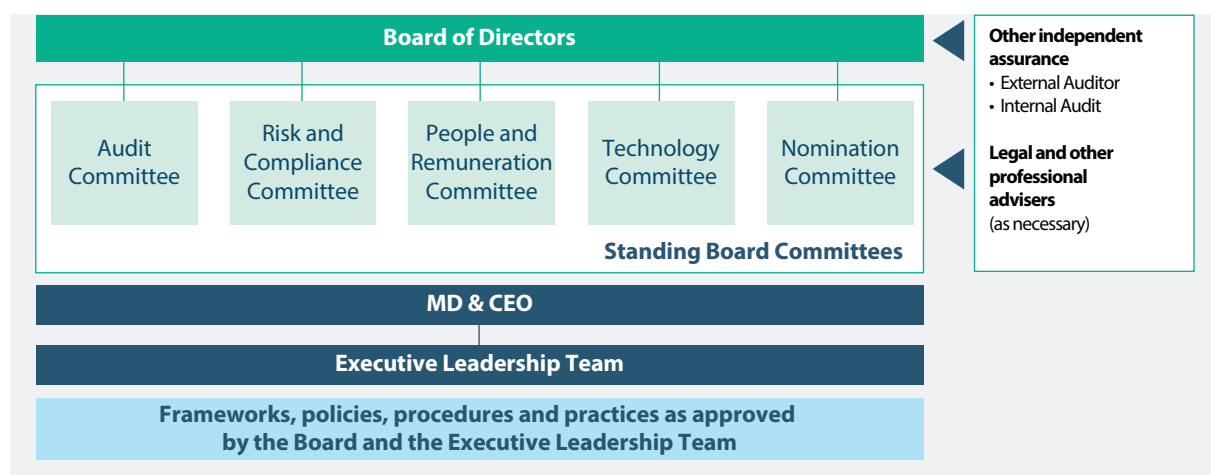
4.7.3 New Tabcorp governance

New Tabcorp is committed to good corporate governance and to maintaining strong corporate governance practices which help New Tabcorp to meet the requirements of applicable legislation and corporate governance standards.

New Tabcorp's governance arrangements are intended to remain substantially unchanged from their pre-Demerger state. Post-Demerger, New Tabcorp will review the structure and membership of its Board Committees as a result of changes to the membership of the New Tabcorp Board and having regard to the future strategic and governance requirements of New Tabcorp. Any changes to Tabcorp's Board Committees will be disclosed in the 2022 Corporate Governance Statement.

Further details in relation to Tabcorp's governance framework, practices and policies can be found in the 2021 Corporate Governance Statement, which is available at: www.tabcorp.com.au/who-we-are/corporate-governance.

Figure 44. New Tabcorp governance framework



4.8 Employees and industrial relations

4.8.1 Overview

As at 14 February 2022, it is expected that New Tabcorp will have 3,357 total employees. A breakdown of headcount by business unit is set out below.

Figure 45. Estimated New Tabcorp number of employees by business unit

| BUSINESS UNIT | TOTAL HEADCOUNT |
|--|-----------------|
| Wagering and Media | 1,587 |
| Gaming Services | 567 |
| Technology ²⁰ | 665 |
| Customer | 209 |
| Corporate and other business units ²¹ | 329 |
| Total | 3,357 |

²⁰ Based on Demerger day-1 requirements. Includes 197 employees involved in Demerger implementation and transition. This is expected to decrease to 639 employees following the expiry of the TSA.

²¹ Corporate and other business units include Corporate, Legal and Risk, Finance, People and Culture, Strategy and Ventures, and Industry and Corporate Affairs.

4.8.2 Industrial relations

Enterprise agreements are in place in the Wagering and Media and Gaming Services businesses covering 1,246 employees as at 31 December 2021, as well as two agreements covering a small cohort of Technology employees. These enterprise agreements will continue to apply and operate in relation to relevant staff, after the Demerger.

The Wagering and Media and Gaming Services businesses have not experienced any material industrial relations disputes in the last five years except for the following:

- a number of employees claimed they had not received sufficient notice under their applicable enterprise agreement in relation to the closure of the Albion contact centre in 2020. Tabcorp reached agreement with the employees and provided additional payments in settlement of the claims;
- a backpay issue concerning 21 employees at the Odyssey Help Desk which was discovered and resolved in 2017; and
- a Gaming Services employee brought a General Protections claim in 2017. This claim was settled before its hearing.

4.9 Corporate responsibility

New Tabcorp aims to deliver superb entertainment experiences ethically, responsibly and sustainably. New Tabcorp is committed to being 'here for the long term' by taking care of its customers and people, being part of the community and operating with business integrity.

Tabcorp's historical commitment to corporate responsibility has been recognised through its continued inclusion in the Dow Jones Sustainability Index (**DJSI**) indices and FTSE4Good Index since 2001. In 2021, Tabcorp was ranked first in the Casinos and Gambling sector in the DJSI World and DJSI Australia indices for the second successive year, and also ranked at the 100th percentile in the world Travel and Leisure sector in the FY21 FTSE4Good Index assessment. The DJSI and FTSE4Good Index series identify companies with strong environmental, social and governance practices as measured against globally recognised standards.

More information on Tabcorp's current approach to corporate responsibility can be found in its 2021 Corporate Responsibility Report, which is available at: www.tabcorp.com.au/corporate-responsibility. New Tabcorp is anticipated to adopt a corporate responsibility strategy broadly similar to Tabcorp's current strategy detailed below; however, New Tabcorp will continue to evolve and refine its corporate responsibility strategy up to and beyond the Demerger.

4.9.1 Care for our customers








Tabcorp aims to put its customers first, delivering moments of excitement in a safe and responsible manner, and is committed to being a leader in responsible gambling. Tabcorp is committed to complying with, or exceeding the requirements of, relevant legislation including those relating to minors, restrictions on the provision of credit, advertising and promotions, provision of self-exclusion, online wagering and Responsible Gambling and Play Codes of Conduct.

Tabcorp's approach to customer care and the responsible provision of its products is underpinned by its Customer Care Principles as depicted in Figure 46. These principles empower team members to support responsible gambling use, raise awareness about responsible gambling, and encourage wider use of responsible gambling tools.

Through the TAB Responsible Gambling microsite, and interactions with customers by phone, in venue or online, Tabcorp provides customers with information and resources to help them make informed decisions about using TAB's products and services to minimise potential harm. This includes controls customers can use to manage their account such as taking a break, setting deposit or spend limits or self-exclusion.

Tabcorp engages regularly with governments, regulators, industry groups and community groups dedicated to responsible gambling to enhance its understanding of responsible gambling and relevant research.

Figure 46. Tabcorp's Customer Care Principles

| Customer Care Principles | | | |
|--|---|---|--|
| Respect the customer decision | Enable informed choice | Customer care by design | Create tools that care |
|  |  |  |  |
| Our customers are adults and we respect their freedom to make their own choices, except in specific situations where individual safety is compromised. Meaning, when a customer informs us they need help directly, or when Tabcorp analysis indicates the customer is displaying signs of problem gambling behaviour that present an unacceptable risk. | We distribute 'helpful yet human' educational messages along with legally required messages, to give our customers the right information, at the right time, to make their own individual decisions. | We always put our customers first, especially when designing new products. From a fresh idea to product design and implementation; customer needs are central to everything we do. That's why our products support our customers, and our business. | We develop gambling management tools to minimise harm and enable our customers to make informed choices. From implementing self-service tools, to AI that helps us better understand our customers and our business – our commitment goes both ways. |
| Analyse customer behaviour | Interact responsibly | | Provide a safety net |
|  |  | |  |
| We unlock insights that help us understand the impact our products, services and experiences have on our customers. We use technology and human sourced data, and we use it with integrity to further benefit our customers – and our business. | We equip our people with the training to know when and how they should interact with customers; from providing customers with helpful self-service tools online, to knowing when to step in and address high risk behaviour in a retail location. | | We endeavour to protect our customers and minimise harm. We do this by placing restrictions and exclusions on our products and services when either: a customer informs us they wish to self-exclude; or when Tabcorp analysis indicates the customer is displaying signs of problem gambling behaviour that present an unacceptable risk. |

Tabcorp's approach to providing superb customer experiences is driven by customer insights and emerging technology, with Tabcorp committed to protecting its customers' privacy and information security against external threats. Tabcorp has policies, procedures, practices, frameworks, systems and resources in place to manage data security, privacy, and related risks, and handles personal information in accordance with the obligations of the *Privacy Act 1988* (Cth), the Australian Privacy Principles and Tabcorp's Privacy Policy.

4.9.2 Part of the community

Tabcorp has a long history of supporting the community and believes that contributing to the wellbeing of its communities and building collaborative partnerships to shape the industry for the better is critical to Tabcorp's long-term success.

Tabcorp's unique business model generates significant economic benefits that are shared with its stakeholders. In FY21, over 60% of Tabcorp's Wagering and Media and Gaming Services revenue was returned to governments, racing industry and retail partners²². Tabcorp also supports various charities including the Prostate Cancer Foundation Australia, OzHarvest and Conservation Volunteers Australia, providing community funding through donations, in-kind giving, forgone revenue, management costs and employee time.

4.9.3 People

Tabcorp aims to provide its people with an exciting workplace to succeed. Tabcorp is committed to investing in the learning and development of its people as well as fostering an inclusive culture that reflects a diverse workplace, where team members can contribute their unique perspectives and experience to achieve the best possible business outcomes.

Tabcorp is committed to gender equality in the workplace, being named an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the sixth consecutive year in 2021. Tabcorp is also committed to ensuring equitable remuneration, with the most recently conducted analysis in 2021 finding that there was no gender pay gap in like-for-like roles in Tabcorp.

Tabcorp is also committed to providing a safe environment in accordance with its Health, Safety and Wellbeing Policy, and actively promotes health, safety and wellbeing in the workplace.

4.9.4 Business integrity

Tabcorp is committed to building a sustainable future for its business and aims to maintain high standards of integrity in every aspect of its business.

Corporate Governance

Tabcorp recognises the importance of effective governance arrangements and maintaining high standards of corporate behaviour, culture, risk management and accountability. Tabcorp's governance arrangements (as described in Section 4.7.3) enable the Board and management to make well informed decisions, provide appropriate accountability, risk management and transparency, and instil strong culture and behaviours.

Human Rights, Modern Slavery and Sustainable Procurement

Tabcorp is committed to ethical, sustainable and socially responsible procurement. Tabcorp is committed to ensuring that potential modern slavery and human rights risks in its operations and supply chain are identified and addressed, and has adopted a Supplier Code of Conduct and a Human Rights Policy.

Environment

Tabcorp is committed to minimising its direct and indirect environmental impacts and aims to comply with, or exceed, the requirements of relevant environmental legislation, regulation and codes. Tabcorp has adopted an Environment and Climate Change Position Statement and has set medium and long-term emission reduction targets aligned with the Paris Agreement goals.

²² Total includes 100% of Victorian Racing Industry joint venture interest.

Sports Integrity and Animal Welfare

As part of its commitment to building a sustainable future for its business and industry, Tabcorp expects the highest standards of animal welfare and integrity. Tabcorp has a zero tolerance to animal cruelty and aims to work in partnership with racing bodies to ensure the welfare of animals continues to be prioritised. Tabcorp has integrity arrangements in place with all major sports bodies and racing industries across Australia.

4.10 Capital structure

4.10.1 Capital structure

At the time the Demerger is implemented, it is currently anticipated that New Tabcorp will have opening Net Debt of less than \$100 million (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date, and will differ from the amount included in the New Tabcorp pro forma historical balance sheet as at 31 December 2021 disclosed in Section 4.11.10.

After the Demerger, New Tabcorp currently intends to target Net Debt to EBITDA²³ of 1.0x to 1.5x; however, it may seek to exceed this range to fund certain future potential growth opportunities. New Tabcorp currently does not intend to hold a public credit rating at the time of the Demerger.

4.10.2 Dividend policy

New Tabcorp's dividend policy will be determined by the New Tabcorp Board at its discretion and may change over time.

It is currently expected that any FY22 final dividend to be paid by New Tabcorp will be determined in accordance with the target dividend payout ratio of Tabcorp as at the date of this Demerger Booklet (being 70% to 80% of net profit after tax excluding significant items, on an annual basis).

Following this, the New Tabcorp Board initially intends to target a dividend payout ratio of 50% to 70% of net profit after tax excluding significant items. This dividend policy has regard to New Tabcorp's earnings and cash flow generation, available franking credits, target credit metrics as well as expected capital and investment requirements.

New Tabcorp currently intends to frank its dividends to the extent practicable. No assurance can be given in relation to the level of future dividends or the franking of such dividends, as these will depend on future events and circumstances, including business performance. The extent to which a dividend can be franked will depend on New Tabcorp's franking account balance which will depend on the amount of Australian income tax paid by New Tabcorp after the Demerger. It is currently anticipated that New Tabcorp's franking account balance will be in the range of approximately \$175-190 million immediately following the Demerger.

To assist in providing a tax efficient distribution to shareholders of the Tabcorp Group's FY22 final dividend, it is currently anticipated that New Tabcorp will pay a final FY22 dividend in or around September 2022 with reference to the five months of The Lottery Corporation earnings prior to the Demerger in addition to the 2H22 earnings of New Tabcorp, noting that the payment of any dividend will be subject to law, business performance and all necessary Board approvals. **In order to receive this dividend, you must be a shareholder of New Tabcorp as at the dividend record date, which is anticipated to be in or around September 2022.**

The proposed dates set out above are subject to change. Payment of any dividend is subject to relevant Board approval, and the key dates for the FY22 final dividend will be confirmed to the ASX at the appropriate time.

²³ Net Debt to EBITDA metric based on EBITDA excluding impairment and significant items.

4.11 Tabcorp historical financial information and New Tabcorp pro forma historical financial information

This section contains historical financial information, on a consolidated basis, in relation to Tabcorp (the **Tabcorp Historical Financial Information**) comprising the:

- Tabcorp historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021;
- Tabcorp historical balance sheet as at 31 December 2021; and
- Tabcorp historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021.

This section also contains pro forma historical financial information from continuing operations, on a consolidated basis, in relation to New Tabcorp (the **New Tabcorp Pro Forma Historical Financial Information**) comprising the:

- New Tabcorp pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021;
- New Tabcorp pro forma historical balance sheet as at 31 December 2021; and
- New Tabcorp pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021.

In this Demerger Booklet (including in this section and Section 3.13), references to New Tabcorp Pro Forma Historical Financial Information are references to the pro forma historical financial information of New Tabcorp during the relevant period or at the relevant time, being the corporate group that is being restructured to form New Tabcorp as it will exist immediately following implementation of the Demerger.

The Tabcorp Historical Financial information and New Tabcorp Pro Forma Historical Financial Information, as defined above, has been reviewed by the Investigating Accountant, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report, a copy of which is included in Annexure B – Independent Limited Assurance Report. Tabcorp Shareholders should note the scope and limitations in that report, which should be read in conjunction with the risks associated with the Demerger and investment in New Tabcorp as set out in Section 4.12.

All amounts disclosed in the tables are expressed in millions of Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars. Figures, amounts, percentages and calculations are subject to the effect of rounding. Accordingly, totals in the tables may not add exactly due to the effects of rounding.

4.11.1 Basis of preparation

The directors of Tabcorp are responsible for the preparation and presentation of the Tabcorp Historical Financial Information and the New Tabcorp Pro Forma Historical Financial Information.

The Tabcorp Historical Financial Information and the New Tabcorp Pro Forma Historical Financial Information has been prepared for illustrative purposes to assist Tabcorp's Shareholders to understand the impact of the Demerger and the historical financial position, financial performance and cash flows of Tabcorp pre and post Demerger. Consequently, the New Tabcorp Pro Forma Historical Financial Information does not purport to reflect the actual or prospective financial position, financial performance or cash flows of New Tabcorp upon the implementation of the Demerger.

The accounting policies used in the preparation of the Tabcorp Historical Financial Information and New Tabcorp Pro Forma Historical Financial Information are consistent with those set out in Tabcorp's interim financial report for the half year ended 31 December 2021 and Tabcorp's Annual Report for the year ended 30 June 2021.

The Tabcorp Historical Financial Information and New Tabcorp Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the presentation, disclosures and comparative information that are required in an annual general purpose financial report prepared in accordance with the *Corporations Act 2001* (Cth).

Tabcorp Historical Financial Information

The Tabcorp Historical Financial Information for the years ended 30 June 2019, 30 June 2020 and 30 June 2021 has been derived from the consolidated financial statements of Tabcorp Holdings Limited for the years ended 30 June 2020 (which includes the restated comparative financial information for the year ended 30 June 2019) and 30 June 2021, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements. The Tabcorp Historical Financial Information for half years ended 31 December 2020 and 31 December 2021 has been derived from the interim consolidated financial statements of Tabcorp Holdings Limited for the half year ended 31 December 2021 (which includes the comparative financial information for the half year ended 31 December 2020), which was reviewed by Ernst & Young and on which an unqualified limited assurance conclusion was issued.

The annual and half year financial reports for the abovementioned periods are available on request or at www.tabcorp.com.au or the ASX website www.asx.com.au.

The Tabcorp Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS.

New Tabcorp Pro Forma Historical Financial Information

The New Tabcorp Pro Forma Historical Financial Information has been derived from the Tabcorp Historical Financial Information and adjusted for the effects of pro forma adjustments described below.

The New Tabcorp Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS, (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred as at 31 December 2021 in the pro forma historical balance sheet and from 1 July 2018 in the pro forma historical income statements and the pro forma historical cash flows.

The New Tabcorp pro forma historical income statements and cash flows for the years ended 30 June 2019, 30 June 2020 and half year ended 31 December 2020 have been presented before financing costs and income tax expense because the financing arrangements and tax structures during the periods presented do not reflect the anticipated financing and tax structure of New Tabcorp. Financing costs and income tax expense have been presented for the most recent year ended 30 June 2021 and half year ended 31 December 2021 to reflect the illustrative impact of these costs on the most recent periods.

Pro forma adjustments have been made to the New Tabcorp pro forma historical income statements and cash flows to reflect the:

- allocation of costs between New Tabcorp and The Lottery Corporation to reflect the operating structure and impact of the Transitional Services Agreement (refer to Section 7.7.5 for details on this agreement) that will be in place following Demerger;
- incremental costs necessary to operate as a separate standalone entity;
- re-allocation of income and costs between The Lottery Corporation and New Tabcorp;
- impact on finance costs following entering into new external borrowings arrangements (refer to Section 4.11.10); and
- impact on income tax expense arising from the pro forma adjustments outlined above.

INFORMATION ON NEW TABCORP continued

Pro forma adjustments have been made to the New Tabcorp pro forma historical balance sheet to reflect the:

- removal of assets and liabilities associated with the Lotteries and Keno business operations;
- new financing structure that will be in place following the Demerger;
- repayment of USPP notes maturing in April 2022; and
- Demerger costs expected to be incurred.

4.11.2 Explanation of certain non-IFRS financial measures

Tabcorp uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as non-IFRS financial measures pursuant to Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, and they are commonly used performance measures in the industry. The principal non-IFRS measures referred to in this section are consistent to those described for The Lottery Corporation in Section 3.13.2.

4.11.3 Tabcorp historical income statements

Tabcorp historical income statements are set out below.

Table 8. Tabcorp historical income statements

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Revenue | 5,488 | 5,224 | 5,686 | 2,870 | 2,934 |
| Other income | 2 | 1 | 5 | 7 | 5 |
| Commissions and fees | (1,481) | (1,410) | (1,603) | (824) | (803) |
| Government taxes and levies | (2,009) | (2,005) | (2,152) | (1,086) | (1,182) |
| Employment costs | (403) | (358) | (385) | (196) | (188) |
| Communications and technology costs | (126) | (111) | (116) | (56) | (73) |
| Advertising and promotions | (161) | (154) | (146) | (70) | (81) |
| Other expenses | (186) | (192) | (182) | (85) | (83) |
| EBITDA, excluding significant items | 1,124 | 995 | 1,107 | 560 | 529 |
| Depreciation and amortisation | (352) | (378) | (380) | (188) | (196) |
| Impairment | 4 | (21) | (3) | – | – |
| EBIT, excluding significant items | 776 | 596 | 724 | 372 | 333 |
| Significant items ¹ | (36) | (1,170) | (73) | 38 | (17) |
| EBIT | 740 | (574) | 651 | 410 | 316 |
| Finance income | 1 | 2 | 1 | 1 | – |
| Finance costs | (209) | (195) | (156) | (83) | (71) |
| Profit/(loss) from continuing operations before income tax | 532 | (767) | 496 | 328 | 245 |
| Income tax expense | (172) | (132) | (170) | (83) | (75) |
| Significant items – interest and tax ² | 11 | 29 | (57) | (60) | 5 |
| Profit/(loss) from continuing operations after income tax | 371 | (870) | 269 | 185 | 175 |

¹ Refer to commentary in Section 4.11.4, under Table 10.

² Significant items for interest and tax comprise the tax effect of the significant items disclosed in EBIT above except for the following:

- FY20: includes ACT POCT compensation (\$5 million);
- FY21: includes amended tax assessment regarding the treatment of licence fees in relation to monitoring gaming machines in New South Wales of \$69 million (including \$7 million of interest after tax) and strategic review finance costs (\$4 million); and
- 1H21: includes amended tax assessment regarding the treatment of licence fees in relation to monitoring gaming machines in New South Wales of \$69 million.

Commentary on Tabcorp's historical financial performance can be found in the Tabcorp Annual Reports and Half Year Reports available from Tabcorp's website (www.tabcorp.com.au) or the ASX website (www.asx.com.au).

INFORMATION ON NEW TABCORP *continued*

4.11.4 New Tabcorp pro forma historical income statements

The New Tabcorp pro forma historical income statements are set out below.

Table 9. New Tabcorp pro forma historical income statements

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Revenue | 2,634 | 2,317 | 2,493 | 1,268 | 1,156 |
| Commissions and fees | (1,001) | (924) | (1,081) | (555) | (526) |
| Government taxes and levies | (365) | (334) | (334) | (177) | (154) |
| Operating expenses | (683) | (632) | (614) | (298) | (316) |
| EBITDA, excluding significant items | 585 | 427 | 464 | 238 | 160 |
| Depreciation and amortisation | (262) | (277) | (276) | (135) | (143) |
| Impairment | 2 | (20) | (3) | – | – |
| EBIT, excluding significant items | 325 | 130 | 185 | 103 | 17 |
| Significant items ¹ | (27) | (1,167) | (133) | (29) | (17) |
| EBIT | 298 | (1,037) | 52 | 74 | – |
| Net finance costs ² | | | (20) | | (10) |
| Profit/(loss) from continuing operations before income tax | | | 32 | | (10) |
| Income tax (expense)/benefit ³ | | | (39) | | 3 |
| Profit/(loss) after income tax | | | (7) | | (7) |

¹ Refer to commentary in Section 4.11.4, under Table 10.

² Net finance costs reflect the pro forma historical interest on estimated drawdown of external borrowings for New Tabcorp based on an allocation of the existing Tabcorp debt as at 31 December 2021 after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes maturing in April 2022 and interest on leases. Calculations are based on interest rates and the pricing detailed in the terms of the New Tabcorp Facility, and assumes all borrowings were in place for all periods where presented. Interest to be paid will change over time, based, inter alia, on changes to interest rate benchmarks. New Tabcorp may use interest rate hedges in the future to reduce the variability in interest payments which will impact the level of finance costs incurred, potentially by a material amount.

³ Income tax (expense)/benefit is based on the pro forma historical profit/(loss) before tax adjusted for permanent differences for the relevant periods, and the corporate tax rate of 30%.

Table 10. Tabcorp significant items (pre interest and tax) – allocation

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| The Lottery Corporation | (9) | (3) | 60 | 67 | – |
| New Tabcorp | (27) | (1,167) | (133) | (29) | (17) |
| Significant items | (36) | (1,170) | (73) | 38 | (17) |

The historical income statements of Tabcorp include the following significant items:

- FY19: implementation costs relating to the combination with Tatts Group (\$34 million), and Racing Queensland arrangements (\$17 million), offset by ACT POCT compensation (\$15 million);
- FY20: implementation costs relating to combination with Tatts Group (\$26 million), Racing Queensland arrangements (\$27 million), goodwill impairment (\$1,090 million), impairment – other (\$22 million) and onerous contracts (\$5 million);
- FY21: implementation costs relating to combination with Tatts Group (\$20 million), Racing Queensland arrangements (\$15 million), restructuring costs (\$17 million), goodwill impairment (\$122 million), net property costs (\$2 million), and strategic review costs (\$1 million), offset by profit on sale of Jumbo shares (\$69 million) and gain on revaluation of previously held equity interest (\$35 million);
- 1H21: profit on sale of Jumbo shares (\$69 million) offset by implementation costs relating to combination with Tatts Group (\$11 million), Racing Queensland arrangements (\$15 million) and restructuring costs (\$5 million); and
- 1H22: costs relating to the proposed Demerger (\$17 million).

Table 11. Reconciliation of Tabcorp historical EBIT to the New Tabcorp pro forma historical EBIT, excluding significant items

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Historical EBIT¹ | 740 | (574) | 651 | 410 | 316 |
| Significant items ² | 36 | 1,170 | 73 | (38) | 17 |
| Historical EBIT, excluding significant items | 776 | 596 | 724 | 372 | 333 |
| The Lottery Corporation historical EBIT ³ | (426) | (442) | (516) | (258) | (305) |
| Net additional standalone operating costs ^{4,5} | (23) | (23) | (23) | (11) | (11) |
| Other (income)/costs (net) transferred to The Lottery Corporation ⁶ | (2) | (1) | – | – | – |
| Pro forma historical EBIT, excluding significant items | 325 | 130 | 185 | 103 | 17 |

1 Represents the historical EBIT of Tabcorp prior to the Demerger occurring as derived from its consolidated financial statements for the respective periods.

2 Refer to commentary in Section 4.11.4, under Table 10.

3 Represents The Lottery Corporation historical EBIT excluding significant items. Refer to Section 3.13.3, Table 2.

4 Following the Demerger, New Tabcorp will incur additional standalone operating costs relative to the costs incurred historically. These include the full costs (given these costs have historically been shared with The Lottery Corporation and will be partially reallocated to New Tabcorp) of maintaining corporate functions (i.e. incremental people costs) required to support a standalone listed entity, a board of directors, company secretariat costs, ASX listing fees, share registry costs, insurance and statutory financial and tax compliance fees. In addition, New Tabcorp will incur additional costs associated with certain services and internal management systems that have previously been partially allocated to The Lottery Corporation such as information technology, corporate and public company costs.

5 It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA. See Section 2.3.2 for more information.

6 Relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements in the respective periods. These have been allocated to The Lottery Corporation based on the underlying nature of the item.

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Table 12. Reconciliation of Tabcorp historical revenue, as derived from the financial statements of Tabcorp, to New Tabcorp pro forma historical revenue

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Historical revenue¹ | 5,488 | 5,224 | 5,686 | 2,870 | 2,934 |
| Historical revenue of The Lottery Corporation ² | (2,865) | (2,917) | (3,206) | (1,609) | (1,784) |
| Reallocation of other income to The Lottery Corporation ³ | (3) | (3) | – | – | – |
| Other ⁴ | 14 | 13 | 13 | 7 | 6 |
| Pro forma historical revenue | 2,634 | 2,317 | 2,493 | 1,268 | 1,156 |

1 Represents the reported historical revenue of Tabcorp in its consolidated financial statements for the respective periods.

2 Represents the reported historical Lotteries and Keno segment revenue in Tabcorp's consolidated financial statements for the respective periods.

3 Represents unallocated profit recognised in relation to an investment in Jumbo transferred to The Lottery Corporation, refer to Section 3.13.4, Table 3.

4 Represents revenue on services charged to The Lottery Corporation for servicing the Lotteries and Keno terminals.

Table 13. Reconciliation of Tabcorp historical EBIT, as derived from the financial statements of Tabcorp, to New Tabcorp pro forma historical NPAT

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Historical EBIT | 740 | (574) | 651 | 410 | 316 |
| Historical EBIT, excluding significant items of The Lottery Corporation ¹ | (426) | (442) | (516) | (258) | (305) |
| Other (income)/costs (net) transferred to The Lottery Corporation ² | (2) | (1) | – | – | – |
| The Lottery Corporation significant items – allocation ³ | 9 | 3 | (60) | (67) | – |
| Net additional standalone operating costs ⁴ | (23) | (23) | (23) | (11) | (11) |
| Pro forma historical EBIT | 298 | (1,037) | 52 | 74 | – |
| Net finance costs | | | (20) | | (10) |
| Income tax (expense)/benefit | | | (39) | | 3 |
| Pro forma historical NPAT | | | (7) | | (7) |

1 Represents The Lottery Corporation historical EBIT, excluding significant items, included in the segment note of the Tabcorp consolidated financial statements for the respective periods. Refer to Section 3.13.3, Table 2.

2 Represents unallocated income not recognised within a segment in Tabcorp's consolidated financial statements which are transferred to The Lottery Corporation. Refer to Section 3.13.3, Table 2.

3 Refer to commentary in Section 4.11.4, under Table 10.

4 Refer to Section 4.11.4, Table 11, footnotes 4 and 5.

4.11.5 New Tabcorp pro forma historical segment information

New Tabcorp pro forma historical segment information is set out below.

Table 14. New Tabcorp pro forma historical revenue, EBITDA excluding significant items, EBIT excluding significant items and capex (segment information)

| | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---|---|---|--|--|
| REVENUE (\$M) | | | | | |
| Wagering and Media | 2,318 | 2,084 | 2,298 | 1,189 | 1,073 |
| Gaming Services | 304 | 221 | 183 | 73 | 78 |
| Other ¹ | 12 | 12 | 12 | 6 | 5 |
| Pro forma historical revenue² | 2,634 | 2,317 | 2,493 | 1,268 | 1,156 |
| EBITDA, EXCLUDING SIGNIFICANT ITEMS (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
| Wagering and Media | 461 | 371 | 414 | 227 | 148 |
| Gaming Services | 146 | 84 | 71 | 22 | 21 |
| Other ³ | 1 | (5) | 2 | – | 2 |
| Net additional standalone operating costs ⁴ | (23) | (23) | (23) | (11) | (11) |
| Pro forma historical EBITDA, excluding significant items | 585 | 427 | 464 | 238 | 160 |
| EBIT, EXCLUDING SIGNIFICANT ITEMS (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
| Wagering and Media | 281 | 175 | 216 | 132 | 43 |
| Gaming Services | 67 | (14) | (10) | (18) | (17) |
| Other ³ | – | (8) | 2 | – | 2 |
| Net additional standalone operating costs ⁴ | (23) | (23) | (23) | (11) | (11) |
| Pro forma historical EBIT, excluding significant items | 325 | 130 | 185 | 103 | 17 |
| CAPEX (\$M) | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
| Wagering and Media | 152 | 144 | 98 | 45 | 43 |
| Gaming Services | 91 | 63 | 26 | 11 | 14 |
| Pro forma historical capex⁵ | 243 | 207 | 124 | 56 | 57 |

¹ Represents revenue on services charged to The Lottery Corporation for servicing the Lotteries and Keno terminals.

² Refer to Section 4.11.4, Table 12.

³ Relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements for the respective periods. These have been allocated to New Tabcorp based on the underlying nature of the item.

⁴ Refer to Section 4.11.4, Table 11, footnotes 4 and 5.

⁵ As reported within the segment note of Tabcorp's consolidated financial statements for the respective periods.

4.11.6 Management discussion and analysis of New Tabcorp pro forma historical financial performance

1H21

Pro forma historical revenue and pro forma historical EBIT excluding significant items for New Tabcorp were \$1,156 million (down 8.8% compared to the pcg) and \$17 million (down 83.5% compared to the pcg) respectively. New Tabcorp pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs.

Wagering and Media

Historical revenue for the Wagering and Media business was \$1,073 million and historical EBIT excluding significant items was \$43 million, down 9.8% and down 67.4% respectively compared to the pcg. Wagering and Media results were heavily impacted by COVID-19 related venue closures in the business' largest market, New South Wales, which impacted Wagering and Media subscription revenue. There were 102 lost days in venues in metropolitan New South Wales in 1H22 (compared to 13 in the pcg) and 74 lost days in regional New South Wales (compared to none in the pcg). Given the substantial number of lost days in 1H21 in Victoria, there was limited impact from retail closures in Victoria for period-on-period performance.

Given the challenging market conditions, retail wagering turnover²⁴ was down 35.5% compared to the pcg (excluding New South Wales, retail turnover was down approximately 9% compared to the pcg). Digital turnover grew 2.3% despite not having the benefits from digital in-venue turnover and account deposits in venue for large parts of the period. Performance improved following retail re-openings in 2Q22, including digital in-venue turnover growth of 29% in 2Q22 compared to the pcg.

The heightened competition in a largely digital and aggressive market for customer acquisition drove increased customer generosities and advertising spend, which reduced margins.

Operating expenses grew, due to cycling cash preservation and cost reduction initiatives in the pcg, increased advertising and promotion costs to support customer retention, and increased ongoing technology investment including improved disaster recovery capability compared to the pcg.

Gaming Services

Historical revenue for the Gaming Services business was \$78 million, up 6.8% compared to the pcg; historical EBIT excluding significant items reflected a loss of \$17 million. The historical revenue increase from the pcg was due to the relatively small exposure to the New South Wales venue closures, and a reduction in lost days in venues in Victoria compared to the pcg.

However, Gaming Services historical revenue continued to be heavily impacted by COVID-19 as the business continued to provide fee relief to impacted licensed venues for most of the period. Gaming Services only returned to the full fee model on 1 December 2021.

Venue Services historical revenue during the period and the pcg were impacted by COVID-19, but to a lesser extent in this period in Victoria. Regulatory Services revenue was lower in this period compared to the pcg, due primarily to venue shutdowns in New South Wales, where approximately 75% of monitored EGMs are located.

Historical operating expenses were up due to the substantial cost reduction opportunities in the pcg.

1H21

Pro forma historical revenue and pro forma historical EBIT excluding significant items for New Tabcorp were \$1,268 million and \$103 million respectively. New Tabcorp pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs.

²⁴ Wagering turnover represents wagers or bets placed by customers.

Wagering and Media

Wagering and Media delivered historical revenue of \$1,189 million, with digital turnover growth of 43% and historical digital revenue growth of 34% compared to the pcp. COVID-19 shutdowns and restrictions (especially in Victoria) contributed to retail turnover declining 28% compared to the pcp.

Excluding Victoria, retail turnover was down 9% compared to the pcp. Wagering and Media experienced strong growth in digital turnover; however, at a lower rate than its competitors.

Wagering and Media delivered historical EBIT excluding significant items of \$132 million. The wagering market continued to be highly competitive in 1H21, with significantly increased customer generosity. During 1H21, Tabcorp enhanced its marketing and generosity program in a more digitally oriented market, delivering growth in customers and engagement, albeit at a lower variable contribution margin. TAB's digital customer base grew approximately 17% compared to the pcp and customers also transacted more frequently during the period.

Tabcorp continued to accelerate investments in enhancing the customer experience with a focus on the digital in-venue offer, sports and racing media content, and personalised experiences.

COVID-19 cost mitigations in the period included employee stand-downs, reduced discretionary spend and travel and entertainment reductions. Wagering also benefited from cost savings delivered as part of the Enterprise-wide 3S program including savings from operating model changes and ongoing agency rationalisation.

Gaming Services

Gaming Services delivered historical revenue of \$73 million. The decline was primarily COVID-19 related, with licensed venues operating under venue density requirements, especially in Victoria, which delivers approximately 30% of the business' revenue, with Greater Melbourne venues only opening from November 2020.

In response to COVID-19, and in support of its licensed venue partners, Tabcorp suspended all material fees for venues during the period in which they were not operating.

Gaming Services delivered a historical EBIT excluding significant items loss of \$18 million, with the business executing against its turnaround plan, addressing its cost base and significantly reducing capital expenditure.

Key initiatives of the five-point turnaround plan delivered savings in 1H21 with 70 roles removed from the business, as well as rationalisation of the property footprint and fleet. Employee stand-downs and reduced discretionary spend helped mitigate COVID-19 related historical revenue loss and the business accessed the Federal Government's JobKeeper scheme.

FY21

Pro forma historical revenue and pro forma historical EBIT excluding significant items for New Tabcorp were \$2,493 million (up 7.6% compared to the pcp) and \$185 million (up 42.3% compared to the pcp) respectively. New Tabcorp pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs.

Wagering and Media

Wagering and Media delivered historical revenue of \$2,298 million (up 10.3% compared to the pcp), delivering improved performance, despite COVID-19 related shutdowns and government mandated restrictions which meant that retail channels were impacted at various points in time. Historical revenue growth was achieved across each of its Wagering, Media and International businesses.

A number of customer-driven initiatives strengthened the omni-channel experience, including in the exclusive licensed venue network where customers are most engaged. Venue Mode, which gives customers access to exclusive offers when betting digitally in TAB venues, continued to grow in popularity, supported by enhancements such as differential pricing. More than one in three of TAB's 784,000 active registered customers used Venue Mode in FY21 and turnover through that channel grew 51.4%.

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TAB digital wagering turnover grew 27% to \$9.5 billion and active digital customers grew 9.7% to 784,000. Additionally, the retail channel was resilient when it re-opened after government mandated lockdowns, with retail turnover down 0.9%, to \$5.3 billion, and further steps were taken to optimise the venue footprint with agency rationalisation and a pilot of a digital only venue offering.

The Sky Media business continued to expand racing and sporting content and its distribution through digital and retail formats. Registered customers of the over-the-top media platform, Sky Racing Active, grew 55.3%.

In International, Tabcorp built on its established business by increasing its shareholding in PGI, to 100% from 50%. Tabcorp also enabled the co-mingling of its domestic pools with US wagering operators through a totalisator licence acquired in North Dakota by SRW.

Wagering and Media delivered historical EBIT excluding significant items of \$216 million (up 23.4% compared to the pcip). The wagering market continued to be highly competitive in FY21, including significantly increased customer generosities. During the period, Tabcorp enhanced its marketing and generosity program in a more digitally oriented market through new data and personalisation capability.

In FY21, cost reduction continued as a real focus for management, leveraging cash preservation measures adopted during 4Q20 as Tabcorp managed the onset of COVID-19. Wagering also benefited from cost savings delivered as part of the Enterprise-wide 3S program of \$19 million and an additional \$4 million of Tabcorp-Tatts Group combination synergy benefits.

Gaming Services

Gaming Services delivered historical revenue of \$183 million (down 17.2% compared to the pcip), significantly impacted by COVID-19 restrictions on licensed venues (hotels and clubs). In support of its venue partners, Tabcorp suspended all material fees for venues during the period in which their gaming floors were not operational. As gaming floor operations recommenced, fees were scaled up progressively to return to pre-COVID-19 levels.

Historical revenue for MAX Venue Services was heavily impacted by the closures and restrictions placed on venues as a result of COVID-19, especially in Victoria which has the most EGMs under contract.

The performance of the EGM monitoring business, MAX Regulatory Services, was more resilient due primarily to lesser impacts in FY21 from venue closures in Queensland and New South Wales.

Gaming Services' historical earnings were also impacted by the non-renewal of a Telstra service contract, and the expiry of the NSW Inter-Club Linked Gaming Systems Licence and Inter-Hotel Linked Gaming Systems Licence. These income streams ceased in the latter part of FY20 and contributed \$5 million to historical EBITDA excluding significant items in that year.

Gaming Services delivered a historical EBIT excluding significant items loss of \$10 million (down 28.6% compared to the pcip), continuing to progress its plan to simplify and streamline its operations. A key initiative has been simplifying its operating structure, which helped deliver a significant reduction in operating expenses.

Cost reduction continued in Gaming Services as management made good progress in implementing its plan to simplify and streamline the business. Gaming Services also benefited from cost savings delivered as part of the Enterprise-wide 3S program of \$6 million, and an additional \$1 million of Tabcorp-Tatts Group combination synergy benefits. Employee stand-downs helped manage costs given loss of historical revenue and the business was able to access the Federal Government's JobKeeper scheme.

FY20

Pro forma historical revenue and pro forma historical EBIT excluding significant items for New Tabcorp were \$2,317 million (down 12.0% compared to the pcip) and \$130 million (down 60.0% compared to the pcip) respectively. New Tabcorp pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs.

Wagering and Media

Wagering and Media delivered historical revenue of \$2,084 million (down 10.1% compared to the pcpc), as the Wagering and Media business continued to invest in its digital transformation and substantially completed the integration of the UBET business.

However, the Wagering business was heavily impacted by the government mandated closures and restrictions on retail operations across all States and Territories at different times from March 2020 as a result of COVID-19. COVID-19 also accelerated the channel shift to digital, and impacted the business through the temporary suspension of various domestic and international sports events.

Prior to this period, the business was navigating a large and complex integration, and transforming its offer in a softer consumer market with increased digital competition. Digital wagering turnover grew 3.8% in FY20 to \$7.1 billion, partially offsetting a decline in retail turnover of 27.9% to \$5.4 billion. This was the first time digital turnover exceeded retail turnover in the Wagering business across a full year.

The business also made progress in lifting its competitiveness and differentiating the customer experience. The TAB brand was modernised, centred around the theme of 'Long May We Play', while data investments delivered more personalised experiences for customers.

In Media, Tabcorp completed a vision and content deal with MLB. This complemented existing NBA and NFL partnerships and helped position TAB and Sky as Australia's 'home of US sport'. In July 2020, Tabcorp secured Racing Queensland's media rights for 10 years, cementing Sky's role as a leading racing media platform.

Wagering and Media delivered historical EBIT excluding significant items of \$175 million (down 37.7% compared to the pcpc), focused on cost reduction and cash preservation measures as the business managed the onset of COVID-19. Cost mitigations included employee stand-downs, no staff incentives, reduced working week and discretionary spend savings. Wagering also benefited from an additional \$16 million of Tabcorp-Tatts Group combination synergies.

Gaming Services

Gaming Services delivered historical revenue of \$221 million (down 27.3% compared to the pcpc). The business was heavily impacted by the temporary closure of venues from March 2020, which re-opened in June 2020 in all States except Victoria under strict social distancing protocols.

Prior to that, Gaming Services historical revenue was impacted by contract expirations, contract extensions at lower daily rates, reduced project work and the non-renewal of a Telstra service contract. In April 2020, the NSW Inter-Club Linked Gaming Systems Licence and Inter-Hotel Linked Gaming Systems Licence expired. In response to COVID-19, Tabcorp suspended all material fees for venues during the period in which they were not trading.

Gaming Services delivered a historical EBIT excluding significant items loss of \$14 million (down >100.0% compared to the pcpc).

There was a large focus on cost reduction and cash preservation measures as the business managed the onset of COVID-19. Cost mitigations included accessing the Federal Government's JobKeeper scheme, employee stand-downs, no bonuses, reduced working week and discretionary spend savings. Non-renewal of the Telstra payphones service contract also reduced operating expenses.

FY19

Pro forma historical revenue and pro forma historical EBIT excluding significant items for New Tabcorp were \$2,634 million and \$325 million respectively. New Tabcorp pro forma historical EBIT excluding significant items is impacted by net additional standalone operating costs.

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Wagering and Media

Wagering and Media delivered historical revenue of \$2,318 million, with significantly increased investment in maintaining active customer numbers in FY19 during a period of integration and transformation. TAB competed well with active customer numbers up 2.5% to 538,000.

TAB turnover growth of 1.3% translated to a historical revenue decline due to the step-up in customer generosity and lower gross yields. Turnover in the former UBET business (Queensland, Tasmania, South Australia and the Northern Territory) was down 9.5%, largely as a result of the legacy offering.

During the year, TAB launched products such as Same Game Multi, Trio and Odds & Evens, as well as Venue Mode, which gives participating account customers offers that can only be accessed in TAB retail venues.

Wagering and Media delivered historical EBIT excluding significant items of \$281 million, with disciplined management of operating expenses and savings realised from consolidated management structures across the business. The UBET brand change to TAB was implemented across retail, race tracks and digital with savings realised in advertising and promotions, and marketing. The reduction in operating expenses reflected Tabcorp-Tatts Group combination synergies, which more than offset continued investment in technology.

Gaming Services

Gaming Services delivered historical revenue of \$304 million, and was simplified into two units during FY19: MAX Venue Services (venue solutions, gaming systems and support services) and MAX Regulatory Services (monitoring and related services).

The expiry of some contracts in Victoria negatively impacted MAX Venue Services historical revenue. Good progress was made on contract extensions, with 40% of Victorian EGMs contracted beyond 2022, albeit on lower margins. There were 730 new EGMs signed during the year in Victoria and New South Wales, bringing the total under contract to 10,090.

Gaming Services delivered historical EBIT excluding significant items of \$67 million, with significant cost savings from integration realised ahead of plan, including savings from consolidated management structures across the business.

4.11.7 Tabcorp historical cash flows

Tabcorp historical cash flows are set out below.

Table 15. Tabcorp historical cash flows

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| EBIT, excluding significant items | 776 | 596 | 724 | 372 | 333 |
| Depreciation, amortisation and impairment | 348 | 399 | 383 | 188 | 196 |
| EBITDA, excluding significant items | 1,124 | 995 | 1,107 | 560 | 529 |
| Other non-cash items | 7 | 7 | 18 | 4 | 7 |
| Change in working capital | 81 | 22 | 5 | 278 | 77 |
| Discontinued operations | (10) | – | – | – | – |
| Operating cash flows, before financing costs and tax, excluding significant items | 1,202 | 1,024 | 1,130 | 842 | 613 |

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Payment for property, plant and equipment and intangibles | (278) | (290) | (183) | (101) | (86) |
| Proceeds from sale of property, plant and equipment and intangibles | 2 | 12 | 68 | 5 | 5 |
| Proceeds from sale of shares in an associate | 12 | – | – | – | – |
| Proceeds from sale of other non current assets | – | – | – | – | 2 |
| Payment for exercise of call option | (8) | – | – | – | – |
| Payment for other financial assets | (93) | (15) | (73) | (51) | (18) |
| Cash acquired net of payment for business acquisition | – | – | 52 | – | – |
| Loan repayments received from customers | 2 | 1 | – | – | – |
| Operating and investing cash flows, before finance costs and tax, excluding significant items | 839 | 732 | 994 | 695 | 516 |
| Proceeds from sale of shares in an associate – significant items ¹ | – | – | 98 | 98 | – |
| Significant items (excluding depreciation, amortisation and impairment) | (36) | (58) | (53) | (31) | (17) |
| Operating and investing cash flows, before finance costs and tax | 803 | 674 | 1,039 | 762 | 499 |
| Net financing costs | (213) | (195) | (166) | (91) | (69) |
| Income tax paid | (183) | (100) | (191) | (138) | (92) |
| Operating and investing cash flows, after financing costs and tax | 407 | 379 | 682 | 533 | 338 |
| Net proceeds from/(repayment of) borrowings | 153 | (46) | (996) | (997) | (21) |
| Proceeds from issue of shares (net of transaction costs) | – | – | 587 | 587 | – |
| Dividends paid | (393) | (392) | (146) | – | (136) |
| Payment of lease liabilities | (55) | (52) | (49) | (25) | (25) |
| Payments for on-market share purchase | (1) | (3) | (3) | (2) | (20) |
| Net increase/(decrease) in cash held | 111 | (114) | 75 | 96 | 136 |
| Cash at beginning of period | 352 | 463 | 349 | 349 | 424 |
| Cash at end of period | 463 | 349 | 424 | 445 | 560 |

¹ Refer to Section 3.13.6, Table 4, footnote 3.

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4.11.8 New Tabcorp pro forma historical cash flows

New Tabcorp pro forma historical cash flows are set out below.

Table 16. New Tabcorp pro forma historical cash flows

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Pro forma historical EBIT, excluding significant items¹ | 325 | 130 | 185 | 103 | 17 |
| Depreciation, amortisation and impairment | 260 | 297 | 279 | 135 | 143 |
| Pro forma historical EBITDA, excluding significant items | 585 | 427 | 464 | 238 | 160 |
| Other items | 9 | 8 | 16 | 4 | 5 |
| Change in working capital | (56) | (13) | 35 | 66 | (84) |
| Pro forma historical operating cash flows, before financing costs and tax, excluding significant items | 538 | 422 | 515 | 308 | 81 |
| Payment for property, plant and equipment and intangibles | (225) | (225) | (146) | (87) | (67) |
| Proceeds from sale of property, plant and equipment and intangibles | 2 | 11 | 48 | 3 | 5 |
| Proceeds from sale of other non current assets | – | – | – | – | 2 |
| Cash acquired net of payment for business acquisition | – | – | 52 | – | – |
| Loan repayments received from customers | 2 | 1 | – | – | – |
| Pro forma historical operating and investing cash flows, before financing costs and tax, excluding significant items | 317 | 209 | 469 | 224 | 21 |
| Significant items ² | (27) | (55) | (44) | (29) | (17) |
| Pro forma historical operating and investing cash flows, before financing costs and tax | 290 | 154 | 425 | 195 | 4 |
| Net finance costs | | | (20) | | (10) |
| Income tax (paid)/received | | | (39) | | 3 |
| Pro forma historical operating and investing cash flows, after financing costs and tax | | | 366 | | (3) |

¹ Refer to Section 4.11.5, Table 14, pro forma historical EBIT, excluding significant items.

² Refer to commentary in Section 4.11.4, under Table 10. Excludes non-cash significant items (FY19: nil, FY20: goodwill impairment (\$1,090 million), impairment – other (\$22 million), FY21: goodwill impairment (\$122 million), impairment – other (\$5 million), gain on revaluation of previously held equity interest (\$35 million), gain on disposal of non current asset (\$3 million), 1H21: nil, 1H22: nil).

Table 17. Reconciliation of Tabcorp historical operating and investing cash flows before financing costs and tax to New Tabcorp pro forma historical operating and investing cash flows after financing costs and tax

| \$M | YEAR ENDED 30 JUN 2019 | YEAR ENDED 30 JUN 2020 | YEAR ENDED 30 JUN 2021 | HALF YEAR ENDED 31 DEC 2020 | HALF YEAR ENDED 31 DEC 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Historical operating and investing cash flows, before financing costs and tax | 803 | 674 | 1,039 | 762 | 499 |
| The Lottery Corporation pro forma historical operating and investing cash flows, before financing costs and tax ¹ | (573) | (488) | (582) | (551) | (479) |
| Exclude cash flows related to discontinued operations ² | 92 | – | – | – | – |
| Net additional standalone operating costs ³ | (32) | (32) | (32) | (16) | (16) |
| Pro forma historical operating and investing cash flows, before financing costs and tax | 290 | 154 | 425 | 195 | 4 |
| Net finance costs | | | (20) | | (10) |
| Income tax (paid)/received | | | (39) | | 3 |
| Pro forma historical operating and investing cash flows, after financing costs and tax | | | 366 | | (3) |

1 Represents The Lottery Corporation pro forma historical cash flows that are excluded from the New Tabcorp cash flows. Refer to Section 3.13.6, Table 4.

2 Represents cash flows in relation to the UK online Wagering and Gaming business which ceased trading in July 2018.

3 Refer to Section 3.13.3, Table 2, footnotes 2 and 3 and Section 4.11.4, Table 11, footnotes 4 and 5.

4.11.9 Management discussion and analysis of New Tabcorp pro forma historical cash flows

Tabcorp's business model generally results in a working capital deficiency as there are minimal receivables and surplus cash is applied to reduce long-term debt. Working capital movements are impacted by the timing of invoice payments and the level of trade debtors, customer account balances and payables, which are driven by timing and trading activity.

The reduction in working capital in FY19 is mainly due to a decrease in provision and payables balances due to the timing of payment. The decrease in working capital in FY20 follows a lower level of payables and provisions to mitigate the impacts of COVID-19. The FY21 and 1H21 increase in working capital was largely driven by an increase in customer account balances and payables from increased trading activity post a COVID-19 impacted June 2020. The 1H22 decrease in working capital is driven by an increase in receivables, predominantly due to the resumption of trading activity in this period compared to the COVID-19 impacted June 2021 and an increase in prepayments mainly due to timing.

Pro forma finance costs paid reflect the pro forma interest on estimated drawdown of external borrowings for New Tabcorp based on an allocation of the existing Tabcorp debt as at 31 December 2021 after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes maturing in April 2022.

4.11.10 Tabcorp historical and New Tabcorp pro forma historical balance sheet

The following table sets out Tabcorp's historical balance sheet and the New Tabcorp pro forma historical balance sheet as at 31 December 2021.

For the purposes of presenting the New Tabcorp pro forma historical balance sheet, it has been assumed that the Demerger was effective and completed on 31 December 2021.

The New Tabcorp pro forma historical balance sheet has been prepared for illustrative purposes only and does not reflect the actual or prospective financial position of New Tabcorp at the time of the Demerger. No adjustments have been made to reflect the trading of Tabcorp since 31 December 2021.

The Tabcorp historical balance sheet and New Tabcorp pro forma historical balance sheet reflects a net current asset deficiency of \$1,104 million and \$299 million respectively as at 31 December 2021. The business model of Tabcorp is such that it generally records a net current asset deficiency due to the business having minimal receivables and recognising customer account balances, aggregating \$184 million, in current liabilities. New Tabcorp maintains sufficient undrawn facilities to meet the working capital requirements, including settlement of customer account balances as required. In order to minimise finance costs, excess cash is used to reduce non current interest bearing liabilities until the current liabilities become due.

Table 18. Tabcorp historical and New Tabcorp pro forma historical balance sheet as at 31 December 2021

| \$M | TABCORP HISTORICAL ¹ | THE LOTTERY CORPORATION HISTORICAL ² | DEBT RESTRUCTURE AND INTERCOMPANY SETTLEMENT ³ | REPAY USPP ⁴ | TRANSACTION COSTS ⁵ | NEW TABCORP PRO FORMA HISTORICAL |
|----------------------------------|------------------------------------|---|---|-------------------------|-----------------------------------|--|
| Current assets | | | | | | |
| Cash and cash equivalents | 560 | (350) | – | – | (39) | 171 |
| Receivables | 174 | (47) | – | – | – | 127 |
| Prepayments | 65 | (12) | – | – | – | 53 |
| Derivative financial instruments | 73 | – | (15) | (58) | – | – |
| Other financial assets | 166 | (166) | – | – | – | – |
| Other | 122 | (108) | – | – | – | 14 |
| Total current assets | 1,160 | (683) | (15) | (58) | (39) | 365 |
| Non current assets | | | | | | |
| Receivables | 2 | – | – | – | – | 2 |
| Other financial assets | 110 | (110) | – | – | – | – |
| Licences | 1,988 | (1,267) | – | – | – | 721 |
| Other intangible assets | 8,043 | (5,515) | – | – | – | 2,528 |
| Property, plant and equipment | 341 | (70) | – | – | – | 271 |
| Right-of-use assets | 214 | (65) | – | – | – | 149 |
| Prepayments | 36 | – | – | – | – | 36 |
| Derivative financial instruments | 176 | – | (176) | – | – | – |
| Other | 18 | – | – | – | – | 18 |
| Total non current assets | 10,928 | (7,027) | (176) | – | – | 3,725 |
| Total assets | 12,088 | (7,710) | (191) | (58) | (39) | 4,090 |
| Current liabilities | | | | | | |
| Payables | 1,380 | (2,109) | 1,269 | – | – | 540 |
| Interest bearing liabilities | 612 | – | (429) | (183) | – | – |
| Lease liabilities | 43 | (6) | – | – | – | 37 |
| Current tax liabilities | 37 | – | (5) | – | – | 32 |
| Provisions | 52 | (11) | – | – | – | 41 |
| Derivative financial instruments | 38 | – | (22) | (4) | – | 12 |
| Other | 102 | (100) | – | – | – | 2 |
| Total current liabilities | 2,264 | (2,226) | 813 | (187) | – | 664 |

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| \$M | TABCORP HISTORICAL ¹ | THE LOTTERY CORPORATION HISTORICAL ² | DEBT RESTRUCTURE AND INTERCOMPANY SETTLEMENT ³ | REPAY USPP ⁴ | TRANSACTION COSTS ⁵ | NEW TABCORP PRO FORMA HISTORICAL |
|--|------------------------------------|---|---|-------------------------|-----------------------------------|--|
| Non current liabilities | | | | | | |
| Payables | 297 | (259) | – | – | – | 38 |
| Interest bearing liabilities | 1,910 | – | (1,899) | 129 | – | 140 |
| Lease liabilities | 243 | (80) | – | – | – | 163 |
| Deferred tax liabilities | 539 | (332) | (12) | – | (11) | 184 |
| Provisions | 23 | (10) | – | – | – | 13 |
| Derivative financial instruments | 28 | – | (28) | – | – | – |
| Other | 17 | (17) | – | – | – | – |
| Total non current liabilities | 3,057 | (698) | (1,939) | 129 | (11) | 538 |
| Total liabilities | 5,321 | (2,924) | (1,126) | (58) | (11) | 1,202 |
| Net assets/(liabilities) | 6,767 | (4,786) | 935 | – | (28) | 2,888 |
| Equity and reserves | 6,767 | (4,786) | 935 | – | (28) | 2,888 |

1 Tabcorp's historical balance sheet as reported in its consolidated financial statements for 1H22.

2 Represents the assets and liabilities associated with the Lotteries and Keno business operations prior to the Demerger occurring, as derived from the accounting records of Tabcorp, consistent to Section 3.13.8, Table 5.

3 Represents the:

- value of existing USPP notes of \$1,909 million (net of prepaid borrowing costs of \$7 million to be written off) in Tabcorp to be effectively transferred to The Lottery Corporation, together with estimated drawdown of external borrowings of \$419 million for The Lottery Corporation (based on an allocation of the existing Tabcorp debt as at 31 December 2021 and after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes of USD 133 million maturing in April 2022); offset by estimated repayment of current external borrowings of \$429 million;
- value of derivative financial instruments of \$141 million associated with the existing USPP notes in Tabcorp to be novated to The Lottery Corporation;
- tax impact of \$5 million relating to the tax deduction of finance costs incurred in relation to the USPP notes not previously claimed;
- estimated tax impact of the USPP and derivative adjustments, which is an overall reduction to the deferred tax liability balance of approximately \$14.5 million, partially offset by the estimated unwind of a \$2.5 million deferred tax asset relating to undeducted borrowing costs on the USPP notes; and
- settlement of intercompany balances of \$1,269 million with The Lottery Corporation.

4 Repayment of the Tabcorp USPP notes of USD 133 million maturing in April 2022, financed by an additional drawdown of \$129 million by Tabcorp prior to the Demerger.

5 Represents transaction costs expected to be incurred for Advisers fees (including \$3 million of unrecoverable GST) in relation to the Demerger. For details on other transaction and implementation costs refer to Section 7.6.

4.11.11 New Tabcorp debt facilities and cash overview

New Tabcorp has historically been funded through a combination of internal cash flows and external debt facilities held by Tabcorp Group.

Following the Demerger, funding for New Tabcorp will be sourced from a combination of internally generated cash flows and a syndicated bank loan facility with an initial facility limit of \$950 million (**New Tabcorp Facility**).

At the time the Demerger is implemented, it is currently anticipated that New Tabcorp will have opening Net Debt of less than \$100 million (excluding lease liabilities). This balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the Implementation Date, and will differ from the amount included in the New Tabcorp pro forma historical balance sheet as at 31 December 2021 disclosed in Section 4.11.10.

As at the date of this Demerger Booklet, Tabcorp has in place legally binding commitment letters from a number of major banks to provide the New Tabcorp Facility, subject to various conditions being satisfied, including those summarised in the table below. As part of the commitment letters, Tabcorp and the banks have agreed a term sheet in respect of the New Tabcorp Facility. Each bank has obtained credit committee approval to the terms of the New Tabcorp Facility. The New Tabcorp Facility contains market standard terms and conditions for a facility of this nature.

The key terms of the New Tabcorp Facility are as follows:

Table 19. Summary of the New Tabcorp Facility

| | | | |
|---|--|-------------------|----------------------|
| Facility type | Revolving loan facility | | |
| Borrower | A wholly owned subsidiary of New Tabcorp | | |
| Currency | Australian dollar | | |
| Tranches | Tranche | Commitment | Maturity date |
| | A | \$400 million | 3 year tranche |
| | B | \$550 million | 5 year tranche |
| Interest rates | BBSY plus a Margin based on a Net Borrowings to EBITDA ratio grid. | | |
| Conditions precedent to initial drawdown | <p>The New Tabcorp Facility contains market standard conditions precedent to initial drawdown for a facility of this nature. Additional conditions include the Demerger becoming Effective, New Tabcorp continuing to trade on the ASX, cancellation of Tabcorp Group's existing syndicated facilities and the provision of information, including financial information, relating to the Demerger and New Tabcorp.</p> <p>If no drawing has occurred under any tranche within three months of the date that the facility agreement for the New Tabcorp Facility is signed, the availability period for all tranches will end and all commitments under the New Tabcorp Facility will be cancelled.</p> | | |
| Security | Unsecured | | |
| Guarantee | The New Tabcorp Facility is guaranteed by certain members of the New Tabcorp Group. New Tabcorp will be required to ensure that guarantees are provided from members of the New Tabcorp Group contributing no less than 85% of EBITDA and owning 85% of the total assets of the New Tabcorp Group. | | |
| Events of default and mandatory prepayment | <p>The New Tabcorp Facility contains events of default that are standard for a facility of this nature including, but not limited to, payment default, misrepresentation, breach of undertaking and financial covenant, cross-default, insolvency, cessation or suspension of business, cancellation of any material licences, cessation or suspension for more than 10 consecutive business days of New Tabcorp listing on the ASX and the occurrence of an event that has a material adverse effect on the ability of the Borrower or New Tabcorp to perform their obligations under the New Tabcorp Facility.</p> <p>If there is a change in the control (as defined in section 610 of the Corporations Act) of New Tabcorp of more than 50%, lenders may require full repayment of amounts outstanding under the New Tabcorp Facility.</p> | | |
| Covenants | <p>The New Tabcorp Facility contains financial covenants including a leverage ratio, interest coverage ratio and restrictions on non-guarantors incurring financial indebtedness; as well as representations and undertakings including, but not limited to, provision of information, maintaining material licences, a restriction on providing financial accommodation, negative pledge and restriction on disposal of assets. These covenants and undertakings are standard for a facility of this nature.</p> <p>New Tabcorp must comply with financial covenants for each 12-month period ending on 30 June and 31 December, beginning on 30 June 2023.</p> | | |

4.11.12 Demerger accounting

Accounting for demerger transactions is addressed in AASB Interpretation 17 *Distribution of Non-cash Assets to Owners*. This interpretation requires that any obligation for distributions made by a company to its shareholders should be recognised and measured at the fair value of the assets to be distributed. The fair value of the assets to be distributed – the fair value of The Lottery Corporation Shares in this case – will be determined by reference to the VWAP and the closing share price of The Lottery Corporation Shares as traded on the ASX (whether on a normal or deferred settlement basis).

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As no guidance is provided in the AASB's accounting standards as to where a debit to equity should be recorded for the recognition of a distribution liability, the fair value of The Lottery Corporation Shares will be allocated between the Capital Reduction and a demerger reserve. The value of the Capital Reduction will be determined by reference to the tax allocation specified by an ATO ruling between capital and dividend. The Capital Reduction will reduce the share capital of Tabcorp, and the demerger dividend, being the difference between the fair value of The Lottery Corporation Shares demerged by Tabcorp and the Capital Reduction will be recognised in the demerger reserve of Tabcorp.

On the Implementation Date, Tabcorp will recognise a provision based on the fair value of The Lottery Corporation Shares, which is expected to exceed The Lottery Corporation's book value of its net assets. This provision will be settled through the transfer of The Lottery Corporation Shares under the Scheme. At that time, the difference between the book value of the net assets transferred and the fair value of The Lottery Corporation's Shares will be recognised as a gain on demerger in Tabcorp's income statement for the year ended 30 June 2022 within discontinued operations.

For illustrative purposes only, a range of fair values and the implied gain on demerger amounts (before Demerger costs) are set out in Table 20. These figures are neither a prediction nor a forecast of the price of The Lottery Corporation Shares post Demerger and the share price may vary substantially from the range set out in Table 20.

Table 20. Tabcorp gain on demerger

| THE LOTTERY CORPORATION SHARE PRICE (\$) | 3.00 | 4.00 | 5.00 | 6.00 | 7.00 |
|---|--------------|--------------|--------------|--------------|---------------|
| Implied market capitalisation (\$m) | 6,677 | 8,903 | 11,129 | 13,355 | 15,581 |
| The Lottery Corporation pro forma historical net assets as at 31 December 2021 ¹ | 3,861 | 3,861 | 3,861 | 3,861 | 3,861 |
| Gain on demerger² | 2,816 | 5,042 | 7,268 | 9,494 | 11,720 |

¹ Comprises historical net assets of \$4,786 million less external borrowings and intercompany settlement adjustment of \$925 million. Refer to Section 3.13.8, Table 5, footnotes 1 and 2.

² Gain on demerger is before Demerger costs.

4.11.13 Material changes in financial position (since 31 December 2021)

Within the knowledge of the Tabcorp Directors, and other than as disclosed in this Demerger Booklet or in announcements to ASX, the financial position of Tabcorp has not materially changed since 31 December 2021, being the balance date of the last half yearly accounts for Tabcorp lodged with ASX.

Tabcorp Shareholders may obtain a copy of Tabcorp's interim financial report for the half year ended 31 December 2021 from ASX's website (www.asx.com.au), from Tabcorp's website (www.tabcorp.com.au) or by calling the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time).

4.12 Risk factors associated with an investment in New Tabcorp

This section outlines a number of risks which may affect the Tabcorp Group following the Demerger.

The risks set out in this section may adversely affect the future operating or financial performance or prospects of New Tabcorp, and the investment returns or value of New Tabcorp Shares. The risks of New Tabcorp will be overseen by New Tabcorp's Chief Legal & Risk Officer, Board and Board Risk and Compliance Committee, and underpinned by New Tabcorp's risk framework. This risk framework will seek to ensure that relevant risks are mitigated to the extent possible by appropriate controls, systems and other actions, but other risks, and the ability to mitigate such risks, may be outside the control of New Tabcorp.

This section should be read in conjunction with Sections 2.2, 2.3 and 2.4, which set out the advantages and disadvantages and risks of the Demerger, and Section 3.14, which sets out the risk factors associated with an investment in The Lottery Corporation post Demerger.

Further, the risks set out in this section are not exhaustive of all the risks to which New Tabcorp Shareholders could be exposed.

4.12.1 Impact of COVID-19 and related risks

The COVID-19 pandemic government restrictions and further strains such as Omicron have impacted, and are likely to continue to impact, the New Tabcorp Group's operating businesses to varying degrees, and in turn, the New Tabcorp Group's financial and operational performance. To date, the Wagering and Media business was affected in CY20 and CY21, primarily due to the numerous government mandated lockdowns causing the temporary but extended closure of licensed venues (hotels and clubs) and TAB agencies, and the disruption to sporting events and international racing. The Gaming Services business has been similarly affected due to the temporary closure of licensed venues. Investors should be aware that the COVID-19 pandemic and related actions taken in response by Australian (Federal, States and Territories) governments, including national lockdowns, border controls/travel restrictions and the effects of the pandemic on the global and domestic economy and the global sporting and racing calendar have had, and may possibly continue to have, a material adverse effect on the New Tabcorp Group, its financial performance and outlook, liquidity and/or share price. There is no certainty as to whether Australian (Federal, States and Territories) government restrictions will continue into the short to medium term, and whether they will increase or be eased in the future in response to further COVID-19 outbreaks or the emergence of another epidemic or pandemic. There is also no certainty as to whether further COVID-19 outbreaks or the emergence of another epidemic or pandemic will have a material impact on the sporting and racing calendar on which the New Tabcorp Group offers wagering.

In addition, New Tabcorp's businesses have been affected by the emergence and spread of new variants such as Omicron, through disruptions to services and supply chains, as well as nationwide staffing shortages as a result of (i) employee illness due to a COVID-19 diagnosis, and (ii) requirements to isolate for extended periods due to exposure to Omicron or as a result of strains on processing times for the receipt of results from polymerase chain reaction (PCR) tests. The shift in customer preferences towards online entertainment platforms, and away from land-based retail TAB outlets and racecourse locations, may continue to increase as a result of COVID-19, which may have a material adverse impact on the New Tabcorp Group's business and future revenue. The New Tabcorp Group may also need to incur additional capital expenditure to sustain and/or grow its business in response to any such change in customer preferences, which may adversely affect the New Tabcorp Group's future profitability and operations.

There is a risk that further social distancing and other restrictions will continue to adversely affect the New Tabcorp Group's venues (both third party licensed pubs and clubs, and TAB agencies) for an extended period in some form, including certain venues being unable to pay debts as and when they fall due and therefore in some cases resulting in permanent venue closures, with resulting impacts on the New Tabcorp Group's distribution network and profitability.

The long-term impacts from COVID-19 on general economic or industry conditions, consumer discretionary spending and consumer confidence are uncertain and may adversely impact the financial and operational performance of the New Tabcorp Group and the delivery of its growth strategies in the future.

4.12.2 Strategic risks

4.12.2.1 Increased competition

The New Tabcorp Group's businesses are affected, to varying degrees, by competing suppliers of gambling and media products and services, based both in Australia and overseas. New competitors and disruptors may also enter the New Tabcorp Group's traditional markets and may be subject to less regulation compared to that of the New Tabcorp Group. As a result, there is a risk that the New Tabcorp Group may not be able to compete on the same terms as other operators, or may face increased levels of competition from suppliers of gambling

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products and services, which could adversely affect the operational and financial performance of the New Tabcorp Group. In particular:

- The wagering business competes with interstate and international wagering operators who accept bets online or over the phone. Deregulation of the national wagering market coupled with online and new forms of distribution have allowed competitors to enter the New Tabcorp Group's traditional markets without being licensed in all of the relevant States and Territories. The retail operations and the Wagering and Media business have also been affected by COVID-19, which has generally seen a greater migration of customer traffic to digital platforms. The offering of 'tote derivative' products by competitors, who are not subject to the costs, fees and regulations that are associated with offering a licensed totalisator, continues to undermine the returns from New Tabcorp's exclusive totalisator licences. Furthermore, the abovementioned competitors achieved enhanced profits during the recent COVID-19 impacted trading environment, in part due to the accelerated shift of consumer preferences from retail to digital and more favourable fiscal and regulatory regimes, which has led to a significant increase in generosity (e.g. Bonus Bet) spend by those competitors. This has, in turn, adversely affected the New Tabcorp Group's wagering business' operating margins.
- The gaming services businesses also face competition from other entities who provide similar products and/or services, or who also hold monitoring licences, in various parts of Australia (including in Queensland, which permits multiple licence holders). Any sustained increase in competition from new entrants and existing operators may adversely affect the New Tabcorp Group's ability to grow market share and associated revenues.

Further, in addition to driving efficiencies, technological innovation is now challenging entire business models and causing disruption to industry structures. Technological developments have therefore increased, and will continue to increase, competition to the New Tabcorp Group's businesses, regardless of exclusive licences, permits or approvals. Gambling also competes with other forms of consumer discretionary spending.

4.12.2.2 Consumer discretionary spending and preferences

Wagering and gaming activities compete with other consumer products for consumers' discretionary spending, and in particular with other forms of leisure and entertainment. Consumer discretionary spending may also be affected by adverse changes to general economic or industry conditions, changes in consumers' attitudes towards gambling products and the availability of payment channels. If the New Tabcorp Group fails to adequately respond to competition for consumers' discretionary expenditure, or an existing or new competitor of the New Tabcorp Group adapts to changes more rapidly, this could result in a loss of market share or missed opportunities for growth, and have an adverse impact on the New Tabcorp Group's financial performance.

4.12.2.3 Brand and reputation

The New Tabcorp Group's brand names and reputation are important assets of the New Tabcorp Group business. Successful maintenance of the reputation and value associated with these brand names will be critical to the New Tabcorp Group's businesses and its strategy for the future. It is possible that the New Tabcorp Group's business strategies may not be achieved, resulting in the erosion of the reputation or value associated with the brand names which, in turn, could have an adverse effect on the performance and operations of the New Tabcorp Group.

Other events, including any material non-compliance with regulations, or licence terms or a material breach of, or failure in, information and technology systems or successful legal challenges to the validity of New Tabcorp's trade marks and/or other intellectual property, could have an adverse impact on the New Tabcorp Group's reputation and the value of its brands and increase expenditure due to additional compliance costs and/or potential claims for compensatory damages.

Significant disciplinary actions, the imposition of monetary fines or the loss of a licence in one or more jurisdictions would affect the New Tabcorp Group's reputation and adversely affect its current licences or future opportunities for licences in other jurisdictions. The consequences of such events could be significant for the New Tabcorp Group, including reduced revenues, increased expenses, loss of consumer trust in the relevant brand or products and loss of a business unit.

4.12.3 Legal, regulatory and compliance risks

4.12.3.1 Licences and other approvals

The activities of the New Tabcorp Group are conducted in a highly regulated environment and are regulated by laws, regulations, rules, licences, permits and other approvals from relevant Federal, State and Territory governments. The New Tabcorp Group cannot be certain:

- whether any of its licences will be renewed or whether new licences will be granted to the New Tabcorp Group when current licences expire; or
- if any of its licences will be renewed on expiry or new licences will be granted to the New Tabcorp Group, when they will be renewed or granted (as applicable), or the terms on which they will be renewed or granted, including whether they will be granted on an exclusive basis and the amounts which might be required to be paid by way of licence fees.

The loss of, or failure to renew, any material licence, permit, authorisation or other approval (or renewal on less favourable terms) may have an adverse impact on the financial performance, operations and position of the New Tabcorp Group. An example of licence renewal risk is the New Tabcorp Group's Victorian Wagering and Betting Licence, which expires in 2024 (with an option to extend for up to a further two years at the discretion of the Victorian Government). While the Tabcorp Group successfully renewed its wagering licence in Victoria when it last came up for renewal in 2012, there is a risk that the New Tabcorp Group chooses not to renew the licence, is unable to renew the licence, or that it is renewed on less favourable terms. The Victorian Government has commenced its market process for this licence, and consistent with New Tabcorp's strategy, New Tabcorp will carefully review the potential arrangements.

4.12.3.2 Exclusivity

The exclusivity periods relating to the licences held by members of the New Tabcorp Group are summarised in Figure 30 in Section 4.3.1.

In addition to exclusivity periods expiring and not being renewed, not all of the licences held by members of the New Tabcorp Group include an exclusive right to operate in the relevant jurisdiction and in those cases, there is the potential that additional wagering or gaming operators or both obtain the right to operate in addition to New Tabcorp's existing operations. This potential outcome could adversely affect the operational and financial performance of the New Tabcorp Group in either one or multiple States or Territories.

4.12.3.3 Enforceability of exclusive rights and sovereign risk

The New Tabcorp Group's entitlement to conduct business in the areas of wagering, media and gaming services in Australia is dependent on it maintaining the relevant government approvals in order to participate, or operate, in a particular manner. There is a risk that legislation may be enacted that increases the cost for New Tabcorp to operate, or that has a material adverse effect on the pre-existing rights and benefits enjoyed by the New Tabcorp Group through its licences or otherwise, such as taking away or not enforcing a right granted or provided for in legislation or which reduces the impact of a contractual right under an agreement between the relevant government or regulator and the New Tabcorp Group.

The New Tabcorp Group's ability to derive and realise the benefit of its exclusive rights in certain jurisdictions is also partly dependent on government and regulators enforcing (and being able to enforce) related laws and regulations which underpin these exclusive rights, or, if necessary, taking action to modernise (and then being able to enforce and enforcing) the related laws and regulations to ensure the exclusive rights continue to have their intended effect in an environment with changing technology. There is a risk that, for various reasons, government or regulators are not able to enforce or do not enforce these laws or regulations or, where necessary, fail to modernise those laws to reflect changing technology and customer expectations, which may adversely impact the New Tabcorp Group's operations and profitability.

Additionally, in certain situations, the licences and authorisations which have been granted to members of the New Tabcorp Group may be suspended, cancelled or terminated by relevant regulators and/or governments without compensation. The suspension or cancellation of any licence held now or in the future by the New Tabcorp Group could adversely affect the operational and financial performance of the New Tabcorp Group.

4.12.3.4 Breach of laws, regulations and licences, and compliance risks

The New Tabcorp Group's businesses, as well as third parties that distribute New Tabcorp Group's products and services, including agencies and retail outlets, are subject to various laws and regulations. Any material breach of the relevant obligations or failure to meet legal, regulatory, compliance and conduct requirements including, for example, in relation to AML/KYC, responsible gambling and advertising, or regulatory expectations including, for example, in relation to AML/KYC or responsible gambling, may have an adverse impact on the financial performance and operating position of the New Tabcorp Group. Any such adverse impact may arise as a result of the suspension or loss of applicable material licences, renewal of licences on less favourable terms, increased supervision and oversight by regulators and other stakeholders, civil or criminal penalties, brand or reputational damage, and the inability to obtain future licences or business opportunities.

Any failure by members of the New Tabcorp Group to meet compliance standards and systems at operational levels may increase exposure to an event of non-compliance. In addition, a breakdown in material operational processes, system errors or failure to comply with the requirements for the calculation of totalisator and fixed odds dividends, gambling taxes or other stakeholder returns, may require the New Tabcorp Group to incur significant expenses for any remediation activities, to repay winnings or other financial impacts, or seek reimbursement of any overpayments, while also exposing the New Tabcorp Group to potential litigation, including class actions, or other forms of disputes.

In addition, the New Tabcorp Group is reliant on its employees, contractors and external counterparties acting in an appropriate and ethical way in accordance with its Code of Conduct. Poor individual and/or group behaviours which are inconsistent with relevant policy may expose the New Tabcorp Group to additional risk, including:

- non-adherence to applicable responsible gambling requirements;
- delays in appropriately escalating regulatory and compliance issues; and/or
- failure to resolve issues in a timely manner and in accordance with community expectations.

If the New Tabcorp Group's conduct related controls were to fail in a material way, be inappropriately set or not meet legal, regulatory or community expectations, then the New Tabcorp Group may be exposed to:

- increased costs of compliance, fines, public censure, loss of customer confidence and litigation;
- increased oversight by regulators and/or other stakeholders;
- suspension or curtailment of operations enforced by regulatory authorities or amendments to licence conditions; and
- other enforcement or administrative action.

The Tabcorp Group currently has, and as at the Implementation Date New Tabcorp will have, an established regulatory risk and compliance function, and governance and risk framework. The New Tabcorp Group's regulatory risk and compliance function will continue to monitor compliance with existing regulations, licences and permits, the political and regulatory environment, and the New Tabcorp Group's adherence to internal processes and procedures. A failure of the New Tabcorp Group's risk and compliance framework and controls may potentially result in, among other things, members of the New Tabcorp Group breaching laws, regulations and licence conditions, resulting in potential regulatory enforcement action, including litigation. These actions could result in significant financial penalties, or other disciplinary action (including the loss of a licence), which could adversely affect the New Tabcorp Group's financial position, its ability to generate revenue or conduct its operations.

4.12.3.5 Changes in laws and the regulatory environment

Regulation at State, Territory and Federal government levels is subject to change, sometimes without adequate notice, and the New Tabcorp Group has no control over the regulations that apply to its current or proposed activities. The New Tabcorp Group's business is also significantly affected by government policy and the manner in which governments and regulators exercise their powers over time. Periodically, government policy and decisions shift for various reasons, and are influenced by societal attitudes, public policy norms and political and/or media pressures and/or influences.

Changes in (or changes to the interpretation of) legislation, regulation (including alterations to any existing licence conditions), taxation or government policy (and related judicial decisions and enforcement policy) by government agencies, tribunals and departments, including as a result of changes in societal attitudes towards gambling products, may have an adverse impact, to varying degrees, on the New Tabcorp Group's operational and financial performance as a result of significant changes in the nature of operations, delayed approvals, increased compliance or other costs, resourcing demands, and potential changes in the level of competition in relevant markets.

Potential changes, which may negatively affect the value of the licences granted to members of the New Tabcorp Group, and potentially the New Tabcorp Group's financial performance include:

- changes in State wagering or other gambling tax rates and levies;
- the grant of gambling licences to other parties;
- changes or decisions concerning (i) race fields and sports product fees, (ii) advertising restrictions and the distribution of gambling products, or (iii) pooling of totalisators in various States;
- changes impacting on aspects of retail exclusivity;
- variations to permitted deduction rates and returns to players;
- material reductions in the numbers of EGMs;
- variations to direct or indirect arrangements for racing industry funding in the relevant States and Territories;
- changes to the conditions in which venues offering products of members of the New Tabcorp Group must operate;
- the introduction of additional, more onerous legislation to guard against money laundering or to implement further gambling advertising restrictions;
- changes or decisions impacting the types of wagering products that can be offered under New Tabcorp's wagering licences or concerning the scope of equipment or systems for which changes require regulatory approval; and
- changes or decisions by government or industry concerning wagering or other forms of gambling.

4.12.3.6 Investigations

From time to time, members of the New Tabcorp Group (as well as its current and former officers and executives) may be subject to various formal and informal investigations such as tax compliance investigations carried out by the ATO or investigations carried out by other Federal or State regulatory or law enforcement bodies including the ACCC, the Australian Federal Police, ACMA, ASIC, AUSTRAC and State-based gambling regulators. Probity-related implications may also arise for the New Tabcorp Group as a result of any such investigations. This may potentially lead to the suspension or loss of material licences, permits, authorisations or other approvals; the imposition of civil or criminal penalties on either or both of the New Tabcorp Group and/or its directors and officers; brand damage and loss of future licence or business opportunities, each of which may have a materially adverse effect on the New Tabcorp Group's financial position, performance and/or operations. There is also the risk that the New Tabcorp Group's reputation may further suffer due to public scrutiny surrounding any such investigations regardless of their outcome and this may also adversely affect the New Tabcorp Group's ability to generate revenue or conduct its operations.

4.12.3.7 Litigation and disputes

From time to time, members of the New Tabcorp Group may become involved in litigation and disputes (including class actions) including with regulatory or law enforcement bodies, (such as the ACCC, ACMA, the Australian Federal Police, ASIC, AUSTRAC and State-based gambling regulators), joint venture and other business partners, stakeholders (including racing industry bodies) and third parties. In addition to the direct costs associated with managing any litigation or dispute and its eventual outcome, there is a risk that the New Tabcorp Group's reputation may suffer due to the profile and public scrutiny surrounding any such litigation or disputes regardless of their outcome. Further, there is a risk that where litigation or disputes arise between members of the New Tabcorp Group and joint venture or other business partners with whom the New Tabcorp Group maintains an ongoing relationship, there may be an adverse effect on such relationships and the New Tabcorp Group's operations.

INFORMATION ON NEW TABCORP *continued*

On 28 June 2019, Racing Queensland (**RQ**) commenced legal proceedings against Tabcorp and UBET and is seeking damages and other relief. The proceedings are in relation to two interrelated disputes regarding the calculation of fees following the introduction of the POCT in Queensland on 1 October 2018. The claim concerns two contractual arrangements being:

- the Queensland Product and Program Deed (**QPP**) which sets out the long-term commercial relationship between the parties, including variable fees payable monthly by UBET to RQ; and
- the Deed of Understanding (**DOU**) which sets out minimum financial commitments to RQ regarding the UBET business and provides for annual top-up payments for CY18 to CY20 if UBET does not meet those minimum commitments.

In relation to the QPP, the parties disagree on how the increase in wagering tax (when compared to the previous wagering tax regime) paid by UBET across racing and sport following the introduction of POCT is treated when calculating the variable fees payable to RQ. If Tabcorp and UBET are ultimately unsuccessful in the QPP aspect of the proceedings, the estimated financial impact covering the 39-month period to 31 December 2021 is an expense of up to \$70 million post tax. The alleged underpayment on the relevant variable fees to RQ would extend until June 2044 when the QPP expires.

In relation to the DOU, RQ's position is effectively that UBET must, as part of the minimum commitment, calculate and pay to it any reduction or offset of the relevant variable fees (to take into account the impact of the POCT) in CY18 to CY20. If RQ is correct and Tabcorp and UBET are ultimately unsuccessful in the DOU aspect of the proceedings, UBET would bear an expense in the amount of \$57 million for the 27-month period to 31 December 2020 irrespective of the outcome of the QPP part of the proceedings.

If Tabcorp and UBET were ultimately unsuccessful in both the QPP and DOU aspect of the proceedings, the estimated financial impact covering the 39-month period to 31 December 2021 is an expense of up to \$75 million post tax.

By way of further example, in 2021 and 2022, Tabcorp received various correspondence from Racing NSW asserting that the Demerger will adversely impact the New South Wales racing industry and reduce its financial returns in breach of the Racing Distribution Agreement. Racing NSW has indicated that it may take action against Tabcorp in respect of the above matter, which it suggests may affect the implementation of the Demerger. Tabcorp disagrees with Racing NSW's assertions. Nevertheless, Tabcorp is open to further discussing these concerns with Racing NSW consistent with the long-term and successful relationship between the parties.

The Tabcorp Group is currently subject to various ongoing litigation matters with the ATO in relation to historical tax payments. The outcomes of these matters are highly uncertain and unlikely to be known for some time. If successful, New Tabcorp may receive cash tax refunds (with refunds relating to Lotteries and Keno payable by New Tabcorp to The Lottery Corporation). Further, New Tabcorp's receipt of cash tax refunds will result in associated reductions in New Tabcorp's future franking credit balance, which could then materially impact the franking of dividends by New Tabcorp.

4.12.3.8 Supplier, customer and third party compliance with regulatory requirements

Any material failure by existing customers of the New Tabcorp Group to satisfy, or to continue to satisfy, necessary regulatory requirements, including regarding identity verification and other background checks relating to being a registered customer of the New Tabcorp Group, could impact on the operations and earnings of the New Tabcorp Group. There is also a risk that suppliers, retailers and distributors of the New Tabcorp Group fail to adequately support the New Tabcorp Group to satisfy necessary regulatory requirements, including delivery of products and/or services in the timeframes and/or to the standards required which would therefore impact the New Tabcorp Group's ability to meet its regulatory obligations.

4.12.3.9 Disruption or decline in licensed venues, agencies and retail network

The operating and financial performance of the New Tabcorp Group's business is materially dependent on the operation of a network of licensed venues (hotels and clubs), TAB agencies and other retail outlets which offer the New Tabcorp Group's products. Significant disruption or closures of, or a decline in, these channels,

whether as a result of a particular event (for example, due to adverse weather events or climate change, an epidemic or pandemic outbreak such as the COVID-19 pandemic, or a natural disaster), economic conditions, changes in consumer behaviour or any other factors, may have an adverse effect on the operating and financial performance of the New Tabcorp Group.

4.12.3.10 Acquisitions and divestments

From time to time, the New Tabcorp Group examines and pursues new acquisition, product or other strategic opportunities, including the opportunity to bid for new licences both domestically and internationally, which may relate to existing businesses or new areas of operation for the New Tabcorp Group.

There is a risk that the New Tabcorp Group may incur substantial costs, delays or other problems in implementing its strategy for any acquired businesses or strategic transactions, or be unsuccessful in bidding for new businesses, product or strategic opportunities or licences, which could adversely impact the New Tabcorp Group's operations, profitability and/or reputation.

The New Tabcorp Group may also pursue opportunities to divest existing assets, investments or businesses. If such divestments are undertaken, no assurances can be given that the price paid to the New Tabcorp Group by a purchaser of such assets would be an accurate reflection of any future market value of such assets had the New Tabcorp Group retained ownership of such assets.

The COVID-19 pandemic may also cause material changes or delays in planned or potential acquisitions or divestment of assets, investments or businesses by the New Tabcorp Group, which may have an adverse impact on the New Tabcorp Group's financial performance.

4.12.3.11 Shareholding restrictions and other limitations

Both the NSW Totalizator Act and the *Totalizator Agency Board Privatisation Act 1997* (NSW) contain provisions, the effect of which prohibits a person from holding a 'prohibited shareholding interest' in TAB Limited. While exemptions exist that permit Tabcorp Finance Pty Ltd and its related bodies corporate to hold what would otherwise be a 'prohibited shareholding interest', the NSW Totalizator Act imposes a condition on all licences granted to TAB Limited which has the effect that no person may have a 'prohibited shareholding interest' in Tabcorp as the ultimate holding company of TAB Limited. A person will have a 'prohibited shareholding interest' in Tabcorp if the person is 'entitled' to voting shares in Tabcorp that together constitute more than 10% of the total number of voting shares in Tabcorp. In order for such a transaction to take place, legislative change would be required. There is no certainty that this legislative change would occur in a timely fashion, or be forthcoming at all.

Tabcorp's Constitution also provides that a person must not have voting power in Tabcorp in excess of 10% without the written consent of the relevant NSW Minister responsible for the NSW Totalizator Licences (though this is subject to the relevant NSW legislation). This restriction applies for a period defined in the Tabcorp Constitution. Tabcorp's Constitution sets out the purposes of the shareholding restrictions and also details the powers conferred on the Tabcorp Board under the Tabcorp Constitution in relation to the enforcement of the shareholding restrictions referred to above. These powers include the power to obtain information relating to shareholder interests and divestiture provisions relating to a breach of the shareholding restrictions in the Constitution and in relation to the NSW Totalizator Licences. Under Tabcorp's Constitution, all Tabcorp Shareholders acknowledge and recognise that the exercise by the Tabcorp Board of the powers given to it under the Tabcorp Constitution may cause individual shareholders disadvantage and that Tabcorp Shareholders have no right of action against the Tabcorp Board or Tabcorp for any loss or disadvantage incurred by them as a result of the Tabcorp Board exercising those powers.

Additionally, in certain circumstances, the New South Wales Minister responsible for administering the NSW Totalizator Act (**NSW Racing Minister**) can compel the divestiture by relevant members of the New Tabcorp Group of shares in TAB Limited (ACN 081 765 308). Those circumstances might include a change in the shareholders or directors of the New Tabcorp Group or in the circumstances applicable to the New Tabcorp Group.

INFORMATION ON NEW TABCORP *continued*

For example, if a change in the shareholders or directors or circumstances of the New Tabcorp Group were considered by the NSW Racing Minister to result in New Tabcorp ceasing to be a suitable person to be associated with TAB Limited, an action by the NSW Racing Minister might result in the New Tabcorp Group ceasing to own the New South Wales wagering businesses conducted by TAB Limited and its subsidiaries.

The potential for the New Tabcorp Group to be required to dispose of shares in the companies holding any of its businesses may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

4.12.4 Operational risks

4.12.4.1 Technology, cybersecurity, data protection and privacy

The New Tabcorp Group operates a range of proprietary and non-proprietary information technology systems, including hardware and software, for existing and new infrastructure to conduct its wagering, media and gaming services businesses. The New Tabcorp Group's technology infrastructure includes significant reliance on legacy systems for its core business, which may require replacement and investment to update.

The business of the New Tabcorp Group relies on the successful operation of technology infrastructure, which could be adversely affected by various factors, including: the age and obsolescence of equipment; the complexity of core environments; the effectiveness of business disruption arrangements, which may result in extended digital outages which prevent account customers from transacting with the New Tabcorp Group's products; malicious attacks on technology systems, customer and company data and regulatory information; the ability to recover from a significant hardware, network or data centre failure; and managing risks associated with outsourcing key processes and activities to third parties.

The New Tabcorp Group's business also relies on technology infrastructure to support ongoing business growth. Where such infrastructure cannot efficiently support the changing needs of the business, this may adversely impact the reputation, operations or financial performance of the New Tabcorp Group.

The COVID-19 working environment has seen an enhanced threat level across all industries and organisations as opportunistic actors seek to exploit organisations' cyber defences. A significant cyber incident or prolonged failure of the computer systems and/or related infrastructure or technology security failure could adversely impact the New Tabcorp Group's technology systems and equipment, prevent the operation of revenue generating functions, result in the loss or exposure of information assets, or personal customer or regulatory data could be wrongfully appropriated, lost or disclosed. Such incidents could, in turn, have an adverse impact on the reputation, operations and financial performance of the New Tabcorp Group and expose the New Tabcorp Group to significant regulatory enforcement actions, litigation, other disputes and financial penalties.

4.12.4.2 Business disruption

The business of the New Tabcorp Group is reliant on the successful operation of various processes and controls and, in the event of a disruption or disaster, the successful implementation of business continuity arrangements. However, there can be no assurance that these mitigation arrangements are sufficient to entirely prevent the risk of significant business disruption. A significant business interruption would result in a significant loss of revenue and profit.

4.12.4.3 Complexity of operational processes and models

The New Tabcorp Group's business involves the execution of many processes and transactions with varying degrees of complexity. The New Tabcorp Group is reliant on its policies, processes and controls and supporting infrastructure functioning as purposed, along with the various parties involved appropriately managing their own operational risk.

A material failure in the design or operation of these policies, processes, controls and infrastructure, a material failure of the New Tabcorp Group to manage service providers, or the impairment of supporting systems may adversely affect the New Tabcorp Group's operations or financial performance.

Further, the New Tabcorp Group uses various models to conduct its business, for example in measuring and stressing exposures. If the models used by the New Tabcorp Group prove to be inadequate, or prove to be based on incorrect assumptions, judgements or inputs, this may adversely affect the operations and/or financial performance of the New Tabcorp Group.

4.12.4.4 Reliance on infrastructure and third party commercial arrangements

The New Tabcorp Group is reliant on key infrastructure and third party commercial arrangements for the operation of its business. Areas where the New Tabcorp Group has significant reliance on third parties include:

- provision and maintenance of telecommunications infrastructure between the New Tabcorp Group's data centres and its customers, including its network of venues for its wagering and gaming services businesses;
- provision of racing and sporting products and information from racing industries and sporting bodies;
- provision of racing and sporting vision to the New Tabcorp Group's network of wagering outlets and other distribution platforms; and
- maintenance services for critical infrastructure.

A significant malfunction or interruption to key infrastructure, or a failure of, significant interruption to, or reduction in the quality of, third party products and services that the New Tabcorp Group relies upon for a sustained period of time, may have an adverse impact on the reputation and the operating and/or financial performance of the New Tabcorp Group.

4.12.4.5 Racing and sports products

The New Tabcorp Group is reliant on racing industries, stakeholders and sporting bodies across Australia and internationally providing a program of events for the purposes of wagering, and obtaining and maintaining the necessary broadcast rights and content for racing meetings and sporting events. A significant decline in the quality or number of events that comprise this program (for example, due to adverse weather conditions, climate change, natural disasters, epidemic/pandemic outbreaks (such as the COVID-19 pandemic), an outbreak of equine influenza or similar animal sicknesses pandemics, or changes in societal attitudes associated with animal welfare or other sustainability issues) would have a significant adverse effect on Wagering and Media revenue and may potentially have a material adverse effect on the operational and financial performance of the New Tabcorp Group.

4.12.4.6 Changes in race fields and sports product fees

Each State and Territory of Australia and New Zealand have implemented race fields arrangements, under which wagering operators pay product fees for the use of that industry's race fields information. Similar arrangements exist in relation to various sports. There is the risk that fees will increase, new fees will be introduced, or the method for determining such fees will change, or that wagering products approved under such arrangements may diminish, which may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

There is also a risk that racing, sport or industry bodies may disagree with the New Tabcorp Group regarding the application of certain aspects of the race fields regimes, contracts that govern product fees or relevant commercial arrangements generally, or the manner in which taxes, levies and fees are determined. Such disagreements may lead to litigation or the New Tabcorp Group being involved in other dispute resolution processes, including negotiated settlement of relevant commercial disputes.

4.12.4.7 People

The New Tabcorp Group's performance and the execution of its strategies depends on its ability to attract and retain key executive management and operating personnel that are sufficiently experienced and have the requisite degree of skills and capabilities needed to effectively perform their roles, and foster a high performance culture. The loss of any key personnel, or the inability of the New Tabcorp Group to attract the requisite personnel with suitable experience, could have an adverse effect on the performance of the New Tabcorp Group and the delivery of its strategies and/or operations.

INFORMATION ON NEW TABCORP *continued*

A failure by the New Tabcorp Group to appropriately manage team members' physical and/or psychological health and wellbeing, or failure to comply with relevant workplace health and safety laws and regulations, could expose the New Tabcorp Group (and individual employees and directors) to civil, criminal and/or regulatory action with associated financial and reputational consequences.

There is a heightened risk that the people-related initiatives which were implemented to mitigate the impacts of the COVID-19 pandemic may have an adverse impact on the New Tabcorp Group's ability to attract and retain certain key executive management and personnel, as well as employee engagement and productivity. In addition, the Demerger may have had, or will have, an adverse impact on the New Tabcorp Group's ability to attract and retain certain key executive management and personnel.

4.12.4.8 Sky Channel broadcast and distribution arrangements

Sky Channel holds rights to broadcast, and has agreements in place to distribute, various race meetings held throughout Australia, New Zealand and internationally. The numerous contracts to which Sky Channel holds these rights to broadcast, or obligations to distribute, are not perpetual and by their nature expire and must be extended or renegotiated from time to time.

The New Tabcorp Group continues to engage closely with holders of broadcast rights and distribution partners and will continue to actively seek to extend those arrangements in advance of their expiry. However, if the New Tabcorp Group is unable to renegotiate any of those arrangements on materially the same or similar terms, then this may adversely impact the operational and financial performance of the New Tabcorp Group's Wagering and Media business.

There is also a risk that the satellites through which Sky Channel broadcasts cannot receive or transmit signals at any particular time, which may impact on wagering and sports betting revenue. Sky Channel does not have third party insurance covering this risk as its cost is considered prohibitive; however, it has in-principle agreement, and the necessary technical facilities in place, that back-up satellite access would be made available with an alternative provider. There is nevertheless still a risk of a loss of broadcast coverage if Sky Channel is required to switch from one satellite to another in the event of malfunction.

4.12.5 Financial and balance sheet risks

4.12.5.1 Trading risks

The New Tabcorp Group is exposed to various financial and trading risks arising from operating its businesses, including risks associated with a failure to appropriately set odds in respect of wagering so as to maintain sufficient capital, and risks associated with traders disclosing confidential information regarding the trading positions and bookmaking strategy. A failure to adequately manage such personnel and trading positions, and to appropriately set wagering odds including to maintain sufficient policies and procedures to address such risks, could have a material adverse effect on the financial and operating performance of the New Tabcorp Group.

4.12.5.2 Funding risks

The New Tabcorp Group is exposed to risks relating to the cost and availability of funds to support its operations, including changes in interest rates and foreign currency exchange rates, counterparty credit and liquidity risks, each of which could impact its financing activities.

As a result of the Demerger of The Lottery Corporation, New Tabcorp will also be a smaller and less diversified entity with a different credit profile to Tabcorp prior to the Demerger. New Tabcorp is likely to be more exposed to external factors outside of its control, such as any further COVID-19 government mandated lockdowns and restrictions, which may adversely affect New Tabcorp's performance, liquidity and ability to access funding required to support business operations and growth.

Further, as part of its arrangements with its external financiers, the New Tabcorp Group is subject to a number of customary conditions and financial covenants. A failure to comply with such conditions and covenants, may require the New Tabcorp Group to repay borrowings earlier than anticipated, or result in increased financing costs for the New Tabcorp Group, which could, in turn, adversely affect the financial performance of the New Tabcorp Group.

4.12.5.3 Ability to service or refinance debt

From time to time, the New Tabcorp Group will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to the New Tabcorp Group in the future. The New Tabcorp Group's ability to refinance its debt on acceptable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its businesses and to pursue opportunities, and its borrowing costs will depend on market conditions (including as to environmental, social and governance considerations) and the New Tabcorp Group's future operating performance. In particular, the New Tabcorp Group may incur higher interest rates and/or additional fees associated with future debt refinancing. If the New Tabcorp Group is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of the New Tabcorp Group and the New Tabcorp Group's ability to meet its financial obligations.

The New Tabcorp Group's ability to service its debt will depend on its future financial performance and if it is unable to do so, lenders to the New Tabcorp Group may act to enforce their rights against it, which may impact the New Tabcorp Group's financial or operating performance.

4.12.5.4 Environmental, social and governance (ESG)

Environmental, social and governance (ESG) continues to have an increasing focus among the New Tabcorp Group's investors, financiers and other stakeholders, with such parties paying increasing attention to factors related to responsible gambling, climate change and carbon emissions, human rights and worker conditions, animal welfare, corporate board diversity and a number of other social and environment-related issues, as a measure of company performance. A failure by the New Tabcorp Group to meet evolving stakeholder demands for information on sustainability and social responsibility practices within its operations, or to adequately respond to pressures from its investment community, financiers or other stakeholders to report on evolving metrics for ESG performance, may adversely impact the New Tabcorp Group's ability to access capital or other financing, or to do so on reasonable terms, which may have an adverse effect on the financial position and performance of the New Tabcorp Group.

4.12.5.5 Counterparty credit risk

The New Tabcorp Group is exposed to the risk that various counterparties, including financial entities, will fail to perform their contractual obligations in favour of the New Tabcorp Group. This creates risk in a number of areas, including with respect to bank deposits and investments, and interest rate and foreign exchange risk management.

The New Tabcorp Group uses contracts to hedge some or all of its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations. At the end of the deposit term or upon the maturity of the contracts, the counterparties are obligated to return or pay funds in the New Tabcorp Group's favour or to otherwise deliver to the New Tabcorp Group an agreed amount of a specified currency at a contracted rate. If any of these counterparties were to liquidate, become insolvent, enter voluntary administration or otherwise cease operations, they may not be able to satisfy their obligations under these time deposits or forward contracts, which could materially adversely impact the New Tabcorp Group's financial position.

4.12.5.6 Access to capital

In addition to internally generated cash flow, the New Tabcorp Group relies on access to debt and equity financing to fund or expand its operations or otherwise execute on its corporate strategy. The ability to secure financing or financing on acceptable terms may be materially adversely affected by volatility in the financial markets, either globally or within a particular geographical region, industry or economic sector or environmental, social and governance considerations. For these or other reasons, financing may become unavailable or the cost of financing may be significantly increased. Such inability to obtain, or an increase to the cost of obtaining, financing could have a material adverse effect on the New Tabcorp Group's operations, ability to execute its corporate strategy or financial performance.

4.12.5.7 Accounting impairments

New Tabcorp will be required to test the indefinite life intangibles annually. In addition to goodwill and intangible assets with indefinite useful lives, all non current assets will be reviewed at each reporting period, to assess whether there is any indication of impairment. Where an indicator of impairment exists, New Tabcorp will make a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and will be written down to the recoverable amount. This has an impact on the New Tabcorp Group's balance sheet and its reported financial results.

Adverse changes in assumptions or outcomes in respect of race fields or sports product fees, retail exclusivity, competition or other risk factors, ability to renew gaming machine contracts on existing terms and conditions, as well as new developments that are not currently apparent, could trigger an impairment and have an adverse impact on the reported financial results of the New Tabcorp Group.

4.12.5.8 Tax

A change to the current tax regime at either the Federal or State government level may adversely affect the New Tabcorp Group. There is a risk that changes to any tax laws, including the current company income tax rate and further changes to tax concessions, such as research and development expenditure, may have an adverse impact on the New Tabcorp Group.

Tax payments at both the Federal and State level are material to the New Tabcorp Group's overall liquidity position and there is a risk that any changes to the timing or quantum of the New Tabcorp Group's payment obligations to tax authorities could result in the need to source additional liquidity, which may adversely affect the New Tabcorp Group's financial position, as well as its commercial arrangements with stakeholders.

A more recent example of such a change was the introduction of the POCT, which introduced a tax that is payable by wagering and betting operators on the revenue derived from wagers and bets, or on facilitated wagering and betting activity, of customers in the relevant State.

4.12.5.9 Changes in accounting or financial reporting standards

Australian Accounting Standards are set by the AASB and are outside New Tabcorp Group's control. Changes to accounting standards issued by the AASB, or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the New Tabcorp Group's financial statements.

4.12.6 General investment risks

4.12.6.1 Risks associated with the current global economic environment

General economic factors may affect an investment in the New Tabcorp Group or the performance of the New Tabcorp Group, including:

- movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for and market price of the New Tabcorp Group;
- changes in government legislation and policy, in particular taxation laws, may affect the relative attractiveness of investing in the New Tabcorp Group;
- the price of securities on ASX may rise or fall due to a diverse range of non-company specific influences which may affect the market performance of the New Tabcorp Group; and
- global or domestic recession as a result of the COVID-19 pandemic.

The operational and financial performance and position of the New Tabcorp Group may be adversely affected by the worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible new risks might emerge as a result of markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable.

Section 5

Details of the Demerger



DETAILS OF THE DEMERGER *continued*

5.1 Steps to implement the Demerger

5.1.1 Conditions precedent to implementation of the Demerger

At the First Court Hearing, Tabcorp obtained an order from the Court to convene the Scheme Meeting.

The Demerger will not become Effective unless a number of conditions are satisfied. The conditions are summarised below:

- (a) the requisite majority of Tabcorp Shareholders approving the Capital Reduction Resolution at the General Meeting;
- (b) the requisite majorities of Tabcorp Shareholders approving the Scheme at the Scheme Meeting;
- (c) all regulatory approvals required for the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to Tabcorp);
- (d) the Court approving the Scheme and a copy of the order of the Court being lodged with ASIC; and
- (e) the ASX approving the admission of The Lottery Corporation to the ASX Official List and granting permission for official quotation of The Lottery Corporation Shares on the ASX.

The end date for satisfaction or waiver of these conditions is 31 July 2022 (or such other date determined by Tabcorp).

5.1.2 Restructure and The Lottery Corporation separation

5.1.2.1 Overview

To establish The Lottery Corporation as the owner of The Lottery Corporation Group businesses, a number of share and asset transfers and other commercial arrangements have been, or will be, implemented in connection with the Demerger. Agreements to enable these steps have been entered into and completion of the steps will occur before implementation of the Demerger.

5.1.2.2 Capital structure and funding

As part of the implementation of the Demerger, it is necessary to establish an appropriate, standalone capital structure for The Lottery Corporation. Accordingly:

- all inter-company loans between members of The Lottery Corporation Group and the Tabcorp Group will be settled prior to the implementation of the Demerger;
- The Lottery Corporation has entered into debt facilities with several banks. The terms of these facilities are summarised in Section 3.13.9; and
- all outstanding USPP notes at the Implementation Date will be exchanged by way of an exchange agreement and note agreement, such that (i) Tabcorp Finance Pty Ltd will prepay the USPP notes by way of exchange, and (ii) L&K Finance Pty Ltd will concurrently issue equivalent USPP notes to existing note holders.

Other than in connection with the capital restructuring of The Lottery Corporation required for the Demerger, The Lottery Corporation has not raised any capital for the three months before the date of lodgement of this Demerger Booklet for registration by ASIC and does not expect that it will need to raise any capital in the three months after the date of lodgement of this Demerger Booklet for registration by ASIC.

5.1.2.3 Deed of cross guarantee

Tabcorp and certain of its Subsidiaries are parties to a deed of cross guarantee (**Tabcorp Cross Guarantee**) in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (previously ASIC Class Order 98/1418). The Lottery Corporation and some of its Subsidiaries are parties to the Tabcorp Cross Guarantee. A revocation deed was lodged with ASIC on 15 November 2021 to revoke the participation of The Lottery Corporation and its relevant Subsidiaries in the Tabcorp Deed of Cross Guarantee. The revocation deed will take effect on 16 May 2022 provided that no party to the Tabcorp Cross Guarantee goes into liquidation during that six-month period.

It is expected that The Lottery Corporation and certain of its Subsidiaries will enter into a new deed of cross guarantee before 30 June 2022. Details will be disclosed in The Lottery Corporation's 2022 Annual Report.

5.2 Demerger procedure

5.2.1 Overview

The Demerger is to be effected by a scheme of arrangement between Tabcorp and its shareholders, a reduction of Tabcorp's share capital and a demerger dividend.

The following steps are required to implement the Demerger:

- Tabcorp Shareholders resolve to approve:
 - the Capital Reduction pursuant to section 256C of the Corporations Act; and
 - the Scheme pursuant to section 411(4)(a)(ii) of the Corporations Act;
- if the Capital Reduction and Scheme are approved by Tabcorp Shareholders, and the other conditions to the Scheme have been satisfied or waived, Tabcorp will undertake the Capital Reduction and the Tabcorp Board will resolve to declare the Dividend;
- the Capital Reduction and Dividend will be applied by Tabcorp under the Scheme on behalf of each Tabcorp Shareholder to purchase all of the shares in The Lottery Corporation from Tatts Group (a subsidiary of Tabcorp and the current owner of all The Lottery Corporation Shares); and
- The Lottery Corporation Shares will be transferred to Tabcorp Shareholders (or, in the case of Ineligible Overseas Shareholders and Selling Shareholders, to the Sale Agent) on the Implementation Date.

To undertake the Capital Reduction and Dividend, the following requirements under sections 256B(1) and 254T(1) of the Corporations Act will need to be satisfied (both of which the Tabcorp Board expects to be satisfied):

- the Capital Reduction and payment of the Dividend are each fair and reasonable to shareholders as a whole and do not materially prejudice Tabcorp's ability to pay its creditors; and
- Tabcorp's assets exceed its liabilities immediately before the Dividend is declared and the excess will be sufficient for the payment of the Dividend.

5.2.2 General Meeting

The Capital Reduction Resolution will be considered and, if thought fit, approved at the General Meeting. The terms of the Capital Reduction Resolution are set out in the Notices of Meeting in Annexure E – Notices of Meeting.

Each Tabcorp Shareholder who is registered on the Tabcorp Share Register as at 7:00pm (Sydney time) on Tuesday, 10 May 2022 is entitled to participate in the General Meeting and vote on the Capital Reduction Resolution. The Capital Reduction Resolution must be approved by a simple majority of votes cast (whether in person or by proxy).

The Capital Reduction is conditional on the Scheme becoming Effective.

5.2.3 Scheme Meeting

On 30 March 2022 at the First Court Hearing, the Court ordered a meeting of all Tabcorp Shareholders be convened to consider and, if thought fit, approve the Scheme, with or without amendment or modification. The notice convening the Scheme Meeting is set out in Annexure E – Notices of Meeting and the terms of the Scheme are contained in Annexure C – Scheme.

Each Tabcorp Shareholder who is registered on the Tabcorp Share Register as the holder of a Tabcorp Share at 7:00pm (Sydney time) on Tuesday, 10 May 2022 is entitled to participate in and vote at the Scheme Meeting.

DETAILS OF THE DEMERGER *continued*

For the Demerger to proceed, the Scheme Resolution must be approved by:

- a majority in number (more than 50%) of Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy); and
- at least 75% of the total number of votes cast on the resolution by Tabcorp Shareholders present and voting (whether in person or by proxy) at the Scheme Meeting.

If these thresholds are met and all other conditions to the Demerger have been satisfied (including Court approval of the Scheme) or waived, all Tabcorp Shareholders will be bound by the Scheme, including those who voted against the Scheme and those who did not cast a vote. Voting at the Scheme Meeting will be by poll.

5.2.4 Second Court Hearing

If the Demerger Resolutions are approved by Tabcorp Shareholders, and all other conditions to the Scheme (other than Court approval) have been satisfied or waived, Tabcorp will apply to the Court for orders approving the Scheme on or around 20 May 2022.

The Scheme will take effect on the date on which the Court order approving the Scheme is lodged with ASIC, which is expected to be 23 May 2022.

5.2.5 Capital Reduction and implementation of the Demerger

5.2.5.1 *Tabcorp steps*

It is expected that the Demerger will be implemented on 1 June 2022.

On the Implementation Date:

- Tabcorp will undertake the Capital Reduction. The Capital Reduction will not be paid in cash, but will be applied on behalf of the Tabcorp Shareholders as payment for The Lottery Corporation Shares to be transferred from a subsidiary of Tabcorp which is the current owner of The Lottery Corporation Shares to those Tabcorp Shareholders.
- Each Tabcorp Shareholder (other than Ineligible Overseas Shareholders and Selling Shareholders) will receive one The Lottery Corporation Share for each Tabcorp Share it is registered as holding as at the Record Date.

5.2.5.2 *Ineligible Overseas Shareholders*

In the case of Ineligible Overseas Shareholders, The Lottery Corporation Shares which those shareholders would otherwise have received under the Demerger will be transferred to the Sale Agent to be sold. The proceeds of sale will be remitted to the Ineligible Overseas Shareholders as set out in Section 5.6.

5.2.5.3 *Confirmation of The Lottery Corporation Shareholdings*

The transfer and distribution of The Lottery Corporation Shares to Eligible Shareholders (who are not Selling Shareholders) referred to above will be achieved by:

- Tabcorp procuring the transfers of the relevant The Lottery Corporation Shares to Eligible Shareholders (who are not Selling Shareholders) and the Sale Agent (as applicable);
- entry in The Lottery Corporation Share Register of the names of Eligible Shareholders (who are not Selling Shareholders); and
- on, or as soon as practicable after, the Implementation Date, Tabcorp procuring the dispatch to Eligible Shareholders (who are not Selling Shareholders) by prepaid post to the person's address as shown in the Tabcorp Share Register as at the Record Date (unless directed otherwise by an Eligible Shareholder (who are not Selling Shareholders)), uncertificated holding statements for The Lottery Corporation Shares transferred or distributed to them under the Demerger. In the case of joint Tabcorp Shareholders, uncertificated holding statements for The Lottery Corporation Shares will be sent to the address of the Tabcorp Shareholder whose name appears first in the Tabcorp Share Register.

5.3 Effect of the Demerger

5.3.1 General

Pursuant to the Demerger, Eligible Shareholders (who are not Selling Shareholders) will receive one The Lottery Corporation Share for each Tabcorp Share that they hold as at the Record Date. Ineligible Overseas Shareholders and Selling Shareholders will receive cash instead of The Lottery Corporation Shares. The treatment of Ineligible Overseas Shareholders is outlined in Section 5.6.2.

Following the Demerger, Tabcorp Shareholders will continue to hold the same number of Tabcorp Shares as they held prior to the Demerger.

5.3.2 Fundamental Demerger principles

Under the Separation Deed between Tabcorp and The Lottery Corporation, in order to give effect to one of the fundamental Demerger Principles – namely that on and from the Implementation Date, subject to certain limited exceptions:

- The Lottery Corporation Group will have the entire economic benefit and risk of The Lottery Corporation businesses as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of the Tabcorp businesses; and
- the Tabcorp Group will have the entire economic benefit and risk of the Tabcorp businesses as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of The Lottery Corporation businesses.

Tabcorp must (subject to limited exceptions) indemnify The Lottery Corporation for any liabilities incurred by The Lottery Corporation relating to the Tabcorp businesses, and The Lottery Corporation must (subject to limited exceptions) indemnify Tabcorp for any liabilities incurred by Tabcorp relating to The Lottery Corporation businesses.

Further details of the Separation Deed (and other key agreements relating to the Demerger) are set out in Section 7.7.

5.3.3 Creditors

In the opinion of the Tabcorp Directors, the Capital Reduction will not, if implemented, materially prejudice Tabcorp's ability to pay its creditors. Further, in the opinion of the Tabcorp Directors, the Demerger will not, if implemented, materially prejudice the ability of The Lottery Corporation to pay the creditors which it assumes as part of the Demerger.

The Independent Expert has concluded that the Capital Reduction does not materially prejudice Tabcorp's ability to pay its existing creditors. Refer to Annexure A – Independent Expert's Report for the Independent Expert's Report.

5.4 Entitlement to participate in the Demerger

5.4.1 Dealings in Tabcorp Shares

Tabcorp Shareholders as at the Record Date will be eligible to participate in the Demerger (although the way in which an individual Tabcorp Shareholder participates will depend on whether that shareholder is an Eligible Shareholder or an Ineligible Overseas Shareholder).

For the purposes of determining which Tabcorp Shareholders are eligible to participate in the Demerger, dealings in Tabcorp Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered as the holder of Tabcorp Shares on the Record Date (or registered before the Record Date and remains registered on that date); and

DETAILS OF THE DEMERGER *continued*

- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Tabcorp Share Registry before the Record Date with sufficient time to allow for registration of the transferee on the Record Date (or registered before the Record Date and remains registered on that date).

For the purpose of determining entitlements under the Scheme, Tabcorp will not accept for registration or recognise any transfer or transmission application in respect of Tabcorp Shares received after the Record Date.

5.4.2 Eligible Shareholders

Tabcorp Shareholders whose addresses are shown in the Tabcorp Share Register as at the Record Date as being in the following jurisdictions will be Eligible Shareholders and will be entitled to have The Lottery Corporation Shares transferred to them:

- Australia, New Zealand, Canada, Hong Kong, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation Shares to a Tabcorp Shareholder with a registered address in such jurisdiction.

Certain Eligible Shareholders are entitled to participate in the Sale Facilities – see Section 5.6.1.

5.4.3 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are Tabcorp Shareholders whose addresses are shown in the Tabcorp Share Register as at the Record Date as being in a jurisdiction outside the jurisdictions referred to in Section 5.4.2.

The Lottery Corporation Shares will not be transferred or distributed to Ineligible Overseas Shareholders. Instead, The Lottery Corporation Shares to which the Ineligible Overseas Shareholders would otherwise have been entitled will be transferred to the Sale Agent to be sold under the Sale Facilities.

Refer to Section 5.6 for more information on how the Sale Facilities will operate.

5.5 Timetable

An indicative timetable for the Demerger appears on page 9. This Timetable is indicative only and, among other things, is subject to the time at which the conditions precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and regulatory approvals. Tabcorp has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required.

Any variation to the Timetable for the Demerger will be announced to ASX and notified on Tabcorp's website (www.tabcorp.com.au).

5.6 Sale Facilities

5.6.1 Small Shareholders

Small Shareholders may elect to have sold using the Sale Facilities:

- (i) if they hold 500 Tabcorp Shares or less as at the Record Date, all The Lottery Corporation Shares that they would otherwise receive under the Scheme; and/or
- (ii) if they hold 2,000 Tabcorp Shares or less as at the Record Date, all those Tabcorp Shares that they would otherwise hold following the Demerger.

Under the Sale Facilities, the proceeds (calculated on an averaged basis) from the sale will be remitted to the Small Shareholder as soon as practicable following the sale of those shares, free of any brokerage costs or stamp duty.

The Lottery Corporation Shares and Tabcorp Shares are expected to be sold at a date or dates which the Sale Agent determines is reasonable having regard to the demand for The Lottery Corporation Shares and Tabcorp Shares during the sale period, which is expected to conclude on 23 June 2022. Selling Shareholders can expect to be sent the sale proceeds by 29 June 2022 (but in any case, no later than eight weeks from the date of The Lottery Corporation Listing).

Small Shareholders who wish to participate in one or both of the Sale Facilities should submit their election online at www.tabcorp.com.au/investors/demerger or complete and return the Sale Facility Form using the enclosed envelope so that it is received by the Tabcorp Share Registry by 5:00pm (Sydney time) on 23 May 2022. Small Shareholders who do not validly lodge a Sale Facility Form will receive The Lottery Corporation Shares under the Demerger and may keep, sell or otherwise deal with The Lottery Corporation Shares received by them and the Tabcorp Shares retained by them.

Both of the Sale Facilities operate on an opt-in basis for Small Shareholders, so Small Shareholders who do not make an election to participate in the Sale Facilities will receive The Lottery Corporation Shares and/or retain their Tabcorp Shares.

Tabcorp reserves the right to prevent Small Shareholders from having their Tabcorp Shares sold using the Sale Facilities if their shareholding increases above 2,000 Tabcorp Shares after the Record Date.

5.6.2 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders (see Section 5.2.5.2) will continue to be entitled to hold their Tabcorp Shares. However, The Lottery Corporation Shares which they would otherwise have received will be transferred to the Sale Agent under the Sale Facilities and sold, with the proceeds (calculated on an averaged basis) remitted to them following the sale of those shares (which is expected to conclude on 23 June 2022), free of any brokerage costs or stamp duty. Ineligible Overseas Shareholders can expect to be sent the sale proceeds by 29 June 2022 (but in any case, no later than eight weeks from the date of The Lottery Corporation Listing).

The payment of the proceeds from the sale of The Lottery Corporation Shares will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Scheme.

5.6.3 Operation of the Sale Facilities

Under the Sale Facilities, the Sale Agent will sell The Lottery Corporation Shares of Ineligible Overseas Shareholders and Selling Shareholders and the Tabcorp Shares of Selling Shareholders during the sale period (which is expected to be from 1 June 2022 to 23 June 2022 following Demerger implementation) at the price the Sale Agent determines in good faith, in its absolute discretion, with the objective of seeking to achieve the best price reasonably obtainable, having regard to a number of factors such as prevailing market conditions.

As the market price of The Lottery Corporation Shares and Tabcorp Shares will be subject to change from time to time, the sale price of those The Lottery Corporation Shares and Tabcorp Shares, and the proceeds of those sales, cannot be guaranteed. Ineligible Overseas Shareholders and Selling Shareholders will be able to obtain information on the market price of The Lottery Corporation Shares and Tabcorp Shares (as applicable) on the ASX's website (www.asx.com.au).

The proceeds received by the Sale Agent will then be distributed to Ineligible Overseas Shareholders and Selling Shareholders, with sale proceeds expected to be sent by 29 June 2022 (but in any case, no later than eight weeks from the date of The Lottery Corporation Listing).

Proceeds will be paid to Ineligible Overseas Shareholders and Selling Shareholders by direct credit to an account with an Australian bank nominated by the Ineligible Overseas Shareholder or Selling Shareholder with the Tabcorp Share Registry as at the Record Date. If the Ineligible Overseas Shareholder or Selling Shareholder does not have a nominated Australian bank account with the Tabcorp Share Registry as at the Record Date, the Ineligible Overseas Shareholder or Selling Shareholder will be sent a cheque drawn on an Australian bank in Australian currency for the proceeds of sale. If the relevant Ineligible Overseas Shareholder's or Selling Shareholder's whereabouts are unknown as at the Record Date, the proceeds will be paid into a separate bank account and held until claimed or applied under laws dealing with unclaimed money.

DETAILS OF THE DEMERGER *continued*

The amount of money received by each Ineligible Overseas Shareholder and Selling Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders and Selling Shareholders will receive the same price per The Lottery Corporation Share or Tabcorp Share (as applicable), subject to rounding to the nearest whole cent. Consequently, the amount received by Ineligible Overseas Shareholders and Selling Shareholders for each The Lottery Corporation Share or Tabcorp Share (as applicable) may be more or less than the actual price that is received by the Sale Agent for that particular The Lottery Corporation Share or Tabcorp Share (as applicable).

In providing services to Tabcorp in connection with the Sale Facilities, the Sale Agent is not acting as agent or sub agent of any Ineligible Overseas Shareholder or Selling Shareholder, does not have any duties or obligations (fiduciary or otherwise) to Ineligible Overseas Shareholders or Selling Shareholders and does not underwrite the sale of any The Lottery Corporation Shares or Tabcorp Shares. The Sale Agent, together with its affiliates, is a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

Selling Shareholders should refer to Section 6 for further information on the Australian tax consequences of participating in the Sale Facilities.

5.7 Employee incentive schemes

Tabcorp currently has various employee incentive and other equity awards on foot, which will be impacted by the Demerger. These awards are held by Tabcorp Group employees that will remain employees of Tabcorp Group and current Tabcorp Group employees that will become The Lottery Corporation Group employees following the Demerger.

Current employee and other incentive equity arrangements awards on foot fall under the following Tabcorp plans:

- the General Employee Share Plan – Tax Deferred Plan and Tax Exempt Plans (**GESP**);
- the 2021 Retention Plan (**Retention Plan**);
- the FY21 Short Term Performance Plan Restricted Share Plan (**FY21 STPP Restricted Share Plan**); and
- the Long Term Performance Plan (**LTTP**).

5.7.1 General Employee Share Plan – Tax Deferred Plan and Tax Exempt Plans (GESP)

The Tabcorp GESP is a broad-based share plan that offers Tabcorp Group employees an opportunity to purchase Tabcorp Shares using pre-tax salary. These shares are either tax exempt for certain employees (the **Tax Exempt Plan**) or tax is deferred on these shares for a period of time (**Tax Deferred Plan**), providing a convenient way for Tabcorp employees to become shareholders in Tabcorp, align them with the interests of shareholders and share in the future success of the Company.

At the date of this Demerger Booklet, there will be Tabcorp Shares on foot under three offers (the 2019 GESP, 2020 GESP and 2021 GESP offers). Tabcorp Shares held under the GESP (**GESP Shares**) have three-year disposal restrictions from the date they are acquired.

5.7.1.1 *Impact of the Demerger on existing GESP awards held by employees who will move to The Lottery Corporation Group*

As most of these participants are ceasing employment with the Tabcorp Group, GESP Shares held by the participants will generally be released from any applicable trading restrictions under their original terms.

The Tabcorp Shares held by the participants will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share held prior to the Demerger.

However, for a small number of participants whose employing entity is not changing as a result of the Demerger, their Tabcorp GESP Shares will continue to be subject to trading restrictions under their original terms.

5.7.1.2 Impact of the Demerger on existing GESP awards held by ongoing Tabcorp employees

As most of these participants will continue to be employed by the Tabcorp Group, the Tabcorp Shares held by the participants will generally continue to be subject to trading restrictions under their original terms.

The restricted Tabcorp Shares held by the participants under the GESP will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share held prior to the Demerger. The Lottery Corporation Shares will not be subject to restrictions other than those stipulated under Tabcorp's Security Trading Policy.

However, for a small number of participants that will remain part of the Tabcorp Group but whose employing entity is changing as a result of the Demerger, their GESP Shares will be released from applicable trading restrictions under their original terms.

5.7.2 2021 Retention Plan

The 2021 Retention Plan was put in place in 2021 to retain certain key employees (including ELT) through the volatile Demerger period and to ensure The Lottery Corporation and Tabcorp businesses have the required skills to set them up successfully into the future. The Retention Plan was offered to a small group of employees and was delivered entirely in the form of shareholder-aligned restricted Tabcorp Shares (restricted for two years, vesting approximately one year following the completion of the Demerger (which is expected to be at the end of July 2023)).

5.7.2.1 Impact of the Demerger on existing 2021 Retention Plan awards held by The Lottery Corporation Group employees or transferring Tabcorp employees to The Lottery Corporation

As these participants are ceasing employment with the Tabcorp Group (including some Tabcorp ELT members), restricted Tabcorp Shares held under the 2021 Retention Plan will be forfeited. To ensure The Lottery Corporation continues to retain critical skills, it is intended that The Lottery Corporation will provide an award of Restricted Shares of an equivalent value to the forfeited Tabcorp award which will be granted to these participants following the Demerger. It is intended that this award will be subject to the same terms and conditions as the original Tabcorp Shares, except that the service condition will relate to The Lottery Corporation Group. It is expected that these Restricted Shares will be released at the end of July 2023.

5.7.2.2 Impact of the Demerger on existing 2021 Retention Plan awards held by ongoing Tabcorp employees

As these participants will continue to be employed by the Tabcorp Group, restricted Tabcorp Shares held under the 2021 Retention Plan will continue to be subject to their original terms and conditions (including trading restrictions) until the end of July 2023.

The restricted Tabcorp Shares held by participants under the 2021 Retention Plan will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share held prior to the Demerger. These Lottery Corporation Shares will be subject to the same restriction period that applies to the restricted Tabcorp Shares and it is expected that they will be released at the end of July 2023.

5.7.3 FY21 STPP Restricted Shares

Under Tabcorp's STPP, a portion of any applicable earned awards provided to the MD & CEO, members of the ELT and senior managers are provided in the form of cash (50% for the MD & CEO and 75% for other participants) and restricted Tabcorp Shares (50% for the MD & CEO and 25% for other participants). FY21 STPP Restricted Shares are restricted for two years (until 20 August 2023) and subject to service-based conditions only.

5.7.3.1 Impact of the Demerger on existing FY21 STPP Restricted Shares held by employees moving to The Lottery Corporation Group and ongoing Tabcorp employees

On Demerger, the restricted Tabcorp Shares held by all participants will be released from any trading restrictions.

The Tabcorp Shares held by the participants will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share held prior to the Demerger.

DETAILS OF THE DEMERGER *continued*

The Board determined the release of Tabcorp Shares to be appropriate, considering they have already been earned by participants (under the FY21 STPP) and the complexity of continuing restrictions post the Demerger.

5.7.4 Long Term Performance Plan (LTPP)

The LTPP provides senior managers of Tabcorp with an opportunity to receive rights to receive Tabcorp Shares, subject to service and performance conditions (**Performance Rights**) annually. Vesting of Performance Rights is subject to the satisfaction of performance and service conditions over a three-year period. If these conditions have been met, participants are generally allocated one Tabcorp Share for each Performance Right that vests.

5.7.4.1 2019 LTPP Offer

Vesting of Performance Rights held under the 2019 LTPP Offer was subject to two performance conditions – Relative TSR (**RTSR**) (75% of the Performance Rights) and a Combination Synergy measure (25% of the Performance Rights). More details can be found in Tabcorp's 2021 Remuneration Report (in the Tabcorp 2021 Annual Report, available at www.tabcorp.com.au/investors/annual-reports).

Following 30 June 2021, the Combination Synergy tranche (25% of the Performance Rights) was tested and the full tranche of Performance Rights lapsed, leaving only the Relative TSR tranche on foot which is due to be tested on 25 September 2022.

5.7.4.1.1 Impact of the Demerger on existing 2019 LTPP Performance Rights held by employees moving to The Lottery Corporation Group and ongoing Tabcorp employees

Prior to the Demerger, the RTSR performance condition will be waived and a pro-rata portion of the Performance Rights in the RTSR tranche (based on the portion of the service period that has elapsed) will vest and the remainder will lapse. Unrestricted Tabcorp Shares will be allocated on vesting of the RTSR tranche of Performance Rights prior to the Demerger. Approximately 67% of the Performance Rights originally granted under the 2019 LTPP Offer will vest and 33% will lapse (and participants will derive no benefit from the lapsed portion).

The Tabcorp Shares allocated to the participants of the 2019 LTPP Offer will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share they receive on vesting of the Performance Rights.

5.7.4.2 2020 and 2021 LTPP Performance Rights

Vesting of Performance Rights held under the 2020 and 2021 LTPP Offers is subject to two performance conditions – RTSR (75% of the Performance Rights) and a Return on Invested Capital measure (**ROIC**) (25% of the Performance Rights). More details can be found in Tabcorp's 2021 Remuneration Report (included in the Tabcorp 2021 Annual Report, available at www.tabcorp.com.au/investors/annual-reports).

The 2020 and 2021 LTPP Offers are due to be tested in September 2023 and September 2024 respectively.

5.7.4.2.1 Impact of the Demerger on existing 2020 and 2021 LTPP Performance Rights held by employees moving to The Lottery Corporation Group and ongoing Tabcorp employees

Prior to the Demerger, the RTSR and ROIC performance conditions will be waived for all participants and a pro-rata portion of the Performance Rights (based on the portion of the service period that has elapsed) will vest and the remainder will lapse. Unrestricted Tabcorp Shares will be allocated on vesting of the Performance Rights prior to the Demerger.

As only a pro-rata portion of the award will vest:

- approximately 55% of the Performance Rights originally granted under the 2020 LTPP Offer will vest into Tabcorp Shares and 45% of the Performance Rights will lapse (and participants will derive no benefit from the lapsed portion); and
- approximately 21% of the Performance Rights originally granted under the 2021 LTPP Offer will vest into Tabcorp Shares and 79% of the Performance Rights will lapse (and participants will derive no benefit from the lapsed portion).

The Tabcorp Shares allocated to the participants of the 2020 and 2021 LTPP Offer will be subject to the Demerger, and accordingly, participants will be allocated one The Lottery Corporation Share for each Tabcorp Share they receive on vesting of the Performance Rights.

In total, across all three LTPP Offers (namely the 2019, 2020 and 2021 LTPP Offers), approximately 47% of the Performance Rights originally granted to current participants will vest into Tabcorp Shares and 53% will lapse. This is in line with the average LTPP vesting calculated from FY17 to FY22 (inclusive) which is 47%.

The Tabcorp Board approved this treatment considering that it aligns to the average testing and vesting outcomes of the LTPP Offers from FY17 to FY22 (and hence participants were not deriving undue benefit), the anticipated unlocked financial benefits of the Demerger would likely generate higher outcomes if tested, the complexity with carrying over Performance Rights into New Tabcorp and The Lottery Corporation post Demerger and modifying these (value and performance conditions) and executives losing the opportunity to receive any benefit on the lapsed Performance Rights which are not compensated for.

5.7.5 Benefits to persons holding a managerial or executive office

Part 2D.2 of the Corporations Act restricts the benefits that can be given without shareholder approval to individuals who hold (or held in the previous three years) a managerial or executive office with Tabcorp Group in connection with their cessation of employment or the transfer of the whole or any part of the undertaking or property of Tabcorp Group.

To the extent that sections 200B and 200C of the Corporations Act apply to any benefits that may be given to managerial or executive officers of the Tabcorp Group under the proposed treatment of Tabcorp's existing incentives described in Section 5.7, the resolution to be considered by Tabcorp shareholders at the General Meeting (which seeks approval for all other transactions and arrangements described in this Demerger Booklet) includes the necessary approval.

The actual amount and value of any benefits that may be provided in connection with the proposed treatment of Tabcorp's existing incentives described in Section 5.7 cannot be ascertained in advance as they will depend on a number of factors that will, or are likely to, affect that value, including the Tabcorp Share price at the vesting date and whether all participants remain employed with Tabcorp Group up to the vesting date.

5.8 Implications if the Demerger does not proceed

If Tabcorp Shareholders do not approve the Demerger, the Court does not approve the Scheme or any of the other conditions of the Demerger are not satisfied or waived, the Demerger will not proceed.

In that event:

- the Capital Reduction will not proceed;
- Tabcorp Shareholders will not receive The Lottery Corporation Shares (or in the case of Selling Shareholders and Ineligible Overseas Shareholders, they will not receive the proceeds from the sale of The Lottery Corporation Shares);
- Tabcorp Shareholders will retain their current holding of Tabcorp Shares (unless they otherwise sell such shares);
- Tabcorp will continue to own The Lottery Corporation and The Lottery Corporation will continue to operate as a division of Tabcorp;
- the advantages of the Demerger, as described in Section 2.2, will not be realised;
- the disadvantages and risks of the Demerger described in Sections 2.3 and 2.4 will not arise;
- the Tabcorp Board and ELT may consider alternatives for all businesses; and
- Tabcorp will incur transaction costs of approximately \$70 million (pre-tax)¹.

¹ Of the \$70 million of costs expected to be incurred up to the time of the Meetings, approximately \$53 million is expected to have been paid.

Section 6

Tax implications for Shareholders

6.1 Introduction

The following is a general summary of the Australian income tax implications arising for certain Tabcorp Shareholders under the Demerger. This summary is necessarily general in nature and is not a complete analysis of all taxation laws that may apply in relation to the Demerger for Tabcorp Shareholders. Tabcorp Shareholders should consult with their own independent tax adviser regarding the tax implications of participating in the Demerger based on their particular circumstances. The comments below do not constitute tax advice.

This tax summary only addresses the position of Tabcorp Shareholders who:

- were registered on the Tabcorp Share Register as the holders of Tabcorp Shares at the Record Date;
- hold their Tabcorp Shares on capital account, (and not on revenue account or as trading stock) for income tax purposes;
- are residents of Australia as defined in Section 6 of the *Income Tax Assessment Act 1936* (Cth) on the Demerger Implementation Date of the Demerger, and not residents of any other jurisdiction for income tax purposes;
- are treated for Australian income tax purposes as having acquired their Tabcorp Shares after 19 September 1985;
- have not elected for the TOFA provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) to apply in respect of their Tabcorp Shares;
- did not acquire their Tabcorp Shares under an employee equity incentive plan; and
- are not subject to the Investment Manager Regime, not temporary residents of Australia for income tax purposes, not exempt from Australian income tax or subject to a legal disability, not holding their Tabcorp Shares as partners in a partnership and not a bank or insurance company.

This tax summary does not address any tax consequences arising under the laws of jurisdictions other than Australia.

This tax summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Demerger Booklet. These laws, regulations and interpretations can change, and it is important that Tabcorp Shareholders monitor for such changes after the date of this Demerger Booklet.

6.2 Class ruling

Tabcorp has applied to the Commissioner of Taxation (**Commissioner**) for a class ruling confirming certain income tax implications of the Demerger for Tabcorp Shareholders, including that:

- Demerger Tax Relief under Division 125 of the *Income Tax Assessment Act 1997* (Cth) will apply to the Demerger; and
- the Commissioner will not apply section 45B of the *Income Tax Assessment Act 1936* (Cth) to any aspect of the Demerger.

Tabcorp has received a draft Class Ruling from the Commissioner in relation to the Demerger. However, consistent with standard ATO practice in relation to demergers, the final class ruling will be received from the Commissioner after the Demerger Implementation Date for the Demerger and will be published on the ATO website (www.ato.gov.au).

The information below addresses the implications for Tabcorp Shareholders where Demerger Tax Relief is available and is consistent with the submissions made in the Class Ruling application.

TAX IMPLICATIONS FOR SHAREHOLDERS *continued*

6.3 Summary of expected outcomes

The Australian income tax consequences of the Demerger for Australian resident Tabcorp Shareholders, assuming Demerger Tax Relief does apply, are summarised below:

| Issue | Australian income tax consequences (assuming demerger tax relief applies) | Refer |
|--|--|---------------|
| Does the Capital Reduction give rise to capital gains tax (CGT) consequences? | If you choose Demerger Tax Relief, you will be able to disregard any capital gain that arises on Tabcorp Shares from the Capital Reduction. If you do not choose Demerger Tax Relief, a capital gain may arise. You may be entitled to CGT discount treatment on any capital gain if you held your Tabcorp Shares for at least 12 months before the Demerger Implementation Date. | Section 6.4.1 |
| Is any dividend assessable? | There will be no assessable dividend provided Demerger Tax Relief is available. | Section 6.4.2 |
| How do I determine the cost base of the Tabcorp and The Lottery Corporation Shares? | You must apportion the tax cost base of your Tabcorp Shares just before the Demerger between the Tabcorp Shares and The Lottery Corporation Shares held just after the Demerger. Further information will be given to you to assist in this apportionment. | Section 6.4.3 |
| When am I taken to have acquired my The Lottery Corporation Shares for CGT discount purposes? | You may be entitled to the CGT discount on the subsequent disposal of The Lottery Corporation Shares if The Lottery Corporation Shares are taken to have been held for 12 months or more. For these purposes, you will be treated as having acquired the corresponding The Lottery Corporation Shares on the same date as your Tabcorp Shares. | Section 6.4.4 |
| What happens if I sell my The Lottery Corporation Shares under the Sale Facilities? | The Australian income tax implications of the Demerger for Tabcorp Shares outlined above should apply equally to you if your The Lottery Corporation Shares are sold by the Sale Agent under the Sale Facilities. You may make a capital gain or capital loss on the disposal of The Lottery Corporation Shares under the Sale Facilities. | Section 6.6 |

The Australian income tax outcomes for Australian resident Tabcorp Shareholders will be different if the Commissioner rules that Demerger Tax Relief is not available or that a determination under the anti-avoidance rules will be made. These outcomes may include the following:

- That a dividend may be included in Tabcorp Shareholders' assessable income.
- That a capital gain may arise to Tabcorp Shareholders in relation to some or all of the Capital Reduction Amount.
- That a reduction in the CGT cost base (and reduced cost base) of the Tabcorp Shares may be required.
- That the first element of the cost base (and reduced cost base) of The Lottery Corporation Shares will be equal to the value of the shares on the Implementation Date.
- That Tabcorp Shareholders will be taken to have acquired their The Lottery Corporation Shares on the Implementation Date for CGT discount purposes.

6.4 Demerger tax relief available

6.4.1 Capital reduction – CGT consequences

Australian resident Tabcorp Shareholders should generally be eligible to choose Demerger Tax Relief in respect of their Tabcorp Shares.

A Tabcorp Shareholder who chooses Demerger Tax Relief will be able to disregard any capital gain that arises from the Capital Reduction.

The way a Tabcorp Shareholder prepares its income tax return will be sufficient evidence of the making of a choice to obtain Demerger Tax Relief. No formal election is required.

A taxable CGT event will happen on the Demerger Implementation Date for Tabcorp Shareholders who do not choose Demerger Tax Relief in respect of their Tabcorp Shares:

- A capital gain will arise to the extent (if any) that the Capital Reduction Amount in respect of that Tabcorp Share exceeds the cost base of that share. Any capital gain arising (after application of any applicable tax losses and/or CGT discount) is to be included in assessable income. If no capital gain arises, the CGT cost base of the Tabcorp Shares will likely be reduced by the Capital Reduction Amount.
- Australian resident Tabcorp Shareholders may be entitled to CGT discount treatment on any capital gain arising in respect of the Capital Reduction, only after the application of other capital losses. CGT discount treatment is available for an Australian resident Tabcorp Shareholder that is an individual, trust or complying superannuation entity and who acquired their Tabcorp Shares at least 12 months before the Demerger Implementation Date. The discount factor will vary depending on the tax profile of the Tabcorp Shareholder. Specifically, the discount factor for resident individuals and trusts is 1/2 and for complying superannuation entities is 1/3.
- In some cases, an indexed cost base (up to the quarter ending 30 September 1999) of the shares may be used to determine any capital gain or loss, as an alternative to the Discount CGT treatment outlined above. If you are subject to these provisions, you should seek your own professional advice.
- The application of the CGT discount rules for trustee shareholders can be complex, and accordingly it is important trustee shareholders obtain their own independent advice.

6.4.2 Dividend

There will be no assessable dividend provided Demerger Tax Relief is available.

6.4.3 CGT cost base in Tabcorp Shares and The Lottery Corporation Shares

Irrespective of whether Demerger Tax Relief is chosen, Australian resident Tabcorp Shareholders who hold Tabcorp Shares must apportion the cost base of their Tabcorp Shares held just before the Demerger between the Tabcorp Shares and The Lottery Corporation Shares held just after the Demerger.

The first element of the cost base of each Tabcorp Share and corresponding The Lottery Corporation Share held by an Australian resident Tabcorp Shareholder just after the Demerger will be determined as follows:

- calculate the total of the cost bases of Tabcorp Shares held (worked out just before the Demerger); and
- apportion the result of the above calculation between the Tabcorp Shares and corresponding The Lottery Corporation Shares held just after the Demerger, having regard to the market values (or a reasonable approximation thereof) of the shares just after the Demerger. Tabcorp will provide Tabcorp Shareholders with information to assist them in determining the respective cost bases of their Tabcorp Shares and corresponding The Lottery Corporation Shares on the Tabcorp website (www.tabcorp.com.au) following the Demerger.

6.4.4 Time of acquisition of The Lottery Corporation Shares

For Tabcorp Shareholders who may be entitled to the CGT discount on the subsequent disposal of their The Lottery Corporation Shares, irrespective of whether Demerger Tax Relief is chosen, these shareholders will be treated as having acquired the corresponding The Lottery Corporation Shares on the same date as their Tabcorp Shares.

6.5 Holding The Lottery Corporation Shares after the Demerger

The Australian income tax consequences for holding The Lottery Corporation Shares should generally be the same as holding Tabcorp Shares.

TAX IMPLICATIONS FOR SHAREHOLDERS *continued*

6.5.1 Dividends

Australian resident The Lottery Corporation Shareholders will be required to include dividends in respect of The Lottery Corporation Shares in their assessable income for the income year in which the dividends are received.

Dividends may be franked to the extent determined by The Lottery Corporation and subject to The Lottery Corporation having sufficient franking credits available.

For Australian resident The Lottery Corporation Shareholders:

- subject to the 'qualified person' rules, The Lottery Corporation Shareholder should include any franking credits in their assessable income and should be entitled to a tax offset equal to the franking credits received;
- that is an individual or complying superannuation fund may be able to receive a tax refund in a particular year if the franking credits attached to the dividend exceed the tax payable on The Lottery Corporation Shareholder's taxable income for that income year;
- that is a company will not be entitled to a tax refund of excess franking credits. Rather, the excess franking credits may be converted to a tax loss which can be carried forward to future years (subject to The Lottery Corporation Shareholder satisfying certain loss carry forward rules); and
- that are trusts should obtain their own advice on the Australian tax treatment of dividends received from The Lottery Corporation and any franking credits attached.

6.5.2 Sale of The Lottery Corporation Shares

Australian resident The Lottery Corporation Shareholders will make a capital gain or capital loss depending on whether the sale proceeds from the disposal of The Lottery Corporation Shares exceed the cost base or is less than the reduced cost base of the shares sold.

Assuming Demerger Tax Relief is available, for the purpose of determining the CGT consequences from a sale of The Lottery Corporation Shares:

- the cost base of The Lottery Corporation Shares will be as outlined in Section 6.4.3; and
- for the purpose of determining whether The Lottery Corporation Shares are held for 12 months or more for the purpose of the CGT discount, shareholders will be treated as having acquired the corresponding The Lottery Corporation Shares on the same date as their Tabcorp Shares (see Section 6.4.4).

6.6 Sale Facilities

The Australian income tax implications of the Demerger for Tabcorp Shares outlined in Section 6.4 should apply equally to Selling Shareholders whose The Lottery Corporation Shares are sold by the Sale Agent on the ASX under the Sale Facilities.

Under the Sale Facilities, Selling Shareholders should be regarded for CGT purposes as having disposed of their The Lottery Corporation Shares. The disposal proceeds will equal the proceeds received under the Sale Facilities.

Assuming Demerger Tax Relief is available, for the purpose of determining whether a capital gain or capital loss arises:

- the cost base of The Lottery Corporation Shares will be as outlined in Section 6.4.3; and
- for the purpose of determining whether The Lottery Corporation Shares are held for 12 months or more for the purpose of the CGT discount, shareholders will be treated as having acquired the corresponding The Lottery Corporation Shares on the same date as their Tabcorp Shares (see Section 6.4.4).

6.7 Other matters

6.7.1 Australian Tax File Number (TFN) and Australian Business Number (ABN)

Following the Demerger, it is expected Tabcorp Shareholders will be given the opportunity to quote their TFN, TFN exemption or their ABN in respect of their The Lottery Corporation Shares. These numbers will not be transferred or otherwise provided to The Lottery Corporation. Tabcorp Shareholders need not quote a TFN,

TFN exemption or ABN in respect of their The Lottery Corporation Shares. However, if they do not, then TFN withholding may be required to be deducted from any dividends paid by The Lottery Corporation at the highest marginal tax rate plus the Medicare levy (currently 47% in total).

6.7.2 GST

No GST should be payable by Tabcorp Shareholders in relation to their participation in the Demerger. The eligibility for Tabcorp Shareholders to claim full or partial input tax credits in relation to GST incurred on adviser fees and other costs relating to their participation in the Demerger will depend on the individual circumstances of each shareholder.

6.7.3 Stamp duty

No stamp duty should be payable in any Australian State or Territory by Tabcorp Shareholders in relation to their participation in the Demerger.

Section 7

Additional information

7.1 Tabcorp current Board and interests

7.1.1 Tabcorp Directors

The Tabcorp Directors at the date of lodgement of this Demerger Booklet for registration by ASIC are:

- Steven Gregg, Chairman and Non-Executive Director;
- David Attenborough, Managing Director and Chief Executive Officer;
- Bruce Akhurst, Non-Executive Director;
- Harry Boon, Non-Executive Director;
- Anne Brennan, Non-Executive Director;
- David Gallop AM, Non-Executive Director;
- Janette Kendall, Non-Executive Director; and
- Justin Milne, Non-Executive Director.

7.1.2 Intention of Directors

7.1.2.1 *The Lottery Corporation*

Other than as disclosed in this Demerger Booklet, The Lottery Corporation Directors have indicated to the Tabcorp Board that it is their present intention following implementation of the Demerger:

- to continue the businesses of The Lottery Corporation, as set out in Section 3;
- to not make any major changes to the businesses of The Lottery Corporation, except as contemplated within this Demerger Booklet; and
- to continue the employment of employees of The Lottery Corporation.

7.1.2.2 *Tabcorp*

Other than as disclosed in this Demerger Booklet, the Tabcorp Directors have indicated to the Tabcorp Board that it is their present intention following implementation of the Demerger:

- to continue the businesses of Tabcorp, as set out in Section 4;
- to not make any major changes to the businesses of Tabcorp, except as contemplated within this Demerger Booklet; and
- to continue the employment of employees of Tabcorp.

7.1.3 Interests of Tabcorp Directors in Tabcorp securities

No marketable securities of Tabcorp are held by or on behalf of Tabcorp Directors and no such persons are otherwise entitled to such securities as at 17 February 2022, other than as set out below.

ADDITIONAL INFORMATION *continued*

The table below sets out the Tabcorp Directors' interests in Tabcorp Shares and Performance Interests as at 17 February 2022.

| NAME | TABCORP SHARES HELD | | PERFORMANCE RIGHTS HELD |
|--------------------|-----------------------------------|-------------------------------------|-------------------------|
| | DIRECT HOLDINGS OF TABCORP SHARES | INDIRECT HOLDINGS OF TABCORP SHARES | |
| Steven Gregg | 45,820 | – | – |
| David Attenborough | 992,069 | 972,474 ¹ | 1,914,521 ² |
| Bruce Akhurst | – | 180,000 | – |
| Harry Boon | – | 76,364 | – |
| Anne Brennan | – | 8,182 | – |
| David Gallop AM | – | 7,637 | – |
| Janette Kendall | – | 4,932 | – |
| Justin Milne | 50,846 | – | – |

No marketable securities of The Lottery Corporation are held by or on behalf of Tabcorp Directors as at the date of this Demerger Booklet.

Tabcorp Directors who hold Tabcorp Shares will be entitled to vote at the Meetings and receive The Lottery Corporation Shares under the Scheme on the same terms as all other Tabcorp Shareholders.

7.1.4 Agreements or arrangements with Tabcorp Directors in connection with the Demerger

7.1.4.1 Appointment of Tabcorp Directors to The Lottery Corporation Board

If the Demerger proceeds, Steven Gregg, Harry Boon and Anne Brennan (currently Tabcorp Directors) will be the initial The Lottery Corporation Non-Executive Directors. As Non-Executive Directors of The Lottery Corporation, they will be entitled to receive Non-Executive Directors' fees for their services and will be entitled to enter into a deed of access, indemnity and insurance with The Lottery Corporation.

The Lottery Corporation will enter into arrangements with each of its Non-Executive Directors setting out the terms of their engagement as The Lottery Corporation Directors.

7.1.4.2 Agreements or arrangements connected with or conditional on the Demerger

Except as described below or elsewhere in this Demerger Booklet, there are no agreements or arrangements made between any Tabcorp Director and another person in connection with, or conditional on, the outcome of the Demerger other than in their capacity as a Tabcorp Shareholder.

Pursuant to deeds of access and indemnity entered into by Tabcorp with each of its directors, Tabcorp has, among other things, agreed to indemnify each Tabcorp Director against liabilities incurred by such director in carrying out their duties as a director. This will include liabilities (if any) incurred by each director in connection with the Demerger and the Scheme and the director's involvement in the process that resulted in the Demerger, and legal costs reasonably incurred in defending an action for any such liability.

¹ This number includes 152,945 restricted Tabcorp Shares under the Tabcorp STPP. See Section 5.7 for further details.

² Performance rights are granted under the Tabcorp LTTP. See Section 5.7 for further details.

Other than as set out above or elsewhere in this Demerger Booklet, no director or proposed director of The Lottery Corporation, and no entity in which a director or proposed director of The Lottery Corporation is a member or partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Demerger Booklet for registration by ASIC, any interest in:

- the formation or promotion of The Lottery Corporation;
- any property acquired or proposed to be acquired by The Lottery Corporation in connection with its formation or promotion or the Demerger; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any director or proposed director of The Lottery Corporation either to induce them to become, or to qualify them as, a director of The Lottery Corporation, or otherwise for services rendered by them in connection with the formation or promotion of The Lottery Corporation or the Demerger.

7.1.5 Payments and other benefits to Tabcorp Directors, secretaries or executive officers

It is not proposed that any payment or other benefit will be made or given to any Tabcorp Director, secretary or executive officer of Tabcorp, or any body corporate related to Tabcorp, as compensation for loss of, or as consideration for or in connection with, their retirement from office as director, secretary or executive officer of Tabcorp or a body corporate connected with Tabcorp as a consequence of or in connection with the Demerger, other than to David Attenborough and two other executives who will cease employment as a result of the Demerger.

It is intended that David Attenborough, the current Tabcorp MD & CEO, will retire as a director of Tabcorp on or around the implementation of the Demerger and will cease employment with Tabcorp Group on 1 July 2022. Mr Attenborough will have Tabcorp equity incentive awards on foot under various incentive plans prior to implementation of the Demerger (and prior to his retirement), which are included in the table in Section 7.1.3. Prior to implementation of the Demerger, these awards will be treated in accordance with the treatment for all other participants (as detailed in Section 5.7). Accordingly, on ceasing employment with Tabcorp (on 1 July 2022), it is anticipated that Mr Attenborough will not have any equity awards that remain on foot under Tabcorp's incentive plans. On Mr Attenborough's cessation of employment, Mr Attenborough will be paid an amount of \$1,333,333 in lieu of a portion of his notice period, in addition to any other statutory entitlements. He will not receive any other termination payments. The Tabcorp Board considers that, despite these arrangements, it is appropriate for Mr Attenborough to make a recommendation in relation to the Demerger Resolutions given his knowledge of Tabcorp and the industry, and that Tabcorp Shareholders would wish to know Mr Attenborough's views in relation to the Demerger. Mr Attenborough also considers that it is appropriate for him to make a recommendation in relation to the Demerger Resolutions.

It is intended that following the Demerger, two current executives will cease employment with Tabcorp Group. Both executives will have Tabcorp equity incentive awards on foot under various incentive plans prior to implementation of the Demerger (and prior to their employment ceasing). In aggregate, as at the date of this Demerger Booklet, the two executives hold 182,338 restricted Tabcorp Shares under the Tabcorp FY21 STPP and Tabcorp Retention Plan and 735,564 Tabcorp performance rights under the Tabcorp LTPP. Prior to implementation of the Demerger, these awards will be treated in accordance with the treatment for all other participants (as detailed in Section 5.7). Accordingly, on ceasing employment with Tabcorp, it is anticipated that neither executive will have any equity awards that remain on foot under Tabcorp's incentive plans. On cessation of employment, they will each be provided with a payment in lieu of part of their notice periods, with an aggregate value of \$672,400, in addition to any other statutory entitlements. They will not receive any other termination-related payments.

7.2 Consents and disclaimers, interests of advisers

Each of the parties named in this section as consenting parties:

- has given and has not, before lodgement of this Demerger Booklet with ASIC, withdrawn its written consent to be named in this Demerger Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Demerger Booklet with ASIC, withdrawn its written consent to the inclusion of the respective statements and reports (where applicable) noted next to its name in this section, in the form and context in which they are included in this Demerger Booklet;
- does not make, or purport to make, any statement in this Demerger Booklet other than those statements referred to in this section in respect of that party's name (and as consented to by that party); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Demerger Booklet.

| Role | Consenting party |
|--|--|
| Legal adviser | Herbert Smith Freehills |
| Financial adviser | UBS Securities Australia Limited |
| Investigating Accountant | Ernst & Young Strategy and Transactions Limited, in relation to the Independent Limited Assurance Report in Annexure B – Independent Limited Assurance Report. |
| Independent Expert | Grant Samuel & Associates Pty Limited, in relation to the Independent Expert's Report in Annexure A – Independent Expert's Report and any statements based on that report. |
| Auditor of Tabcorp and provider of financial due diligence | Ernst & Young |

Tabcorp has also engaged a number of other advisers in connection with the Demerger. In total, Tabcorp has paid or agreed to pay approximately \$36 million (exclusive of disbursements and GST) in relation to professional fees and advisory fees in connection with the Demerger.

7.3 Substantial shareholders in Tabcorp

As at 17 February 2022, the following shareholders are substantial shareholders for the purposes of Part 6C.1 of the Corporations Act:

- AustralianSuper Pty Ltd holding 8.6%;
- BlackRock Group holding 6.01%; and
- State Street Corporation (and subsidiaries) holding 5.31%.

Information in regard to substantial shareholdings arising, changing or ceasing after 17 February 2022, or in respect of which the relevant announcement is not available on the ASX's website, is not included above.

7.4 The Lottery Corporation Constitution

7.4.1 Introduction

The rights and liabilities attaching to the ownership of The Lottery Corporation Shares arise from a combination of The Lottery Corporation Constitution, statute, the ASX Listing Rules and general law.

The new The Lottery Corporation Constitution will take effect from Listing of The Lottery Corporation and is available at www.tabcorp.com.au/investors/demerger.

A summary of the significant rights, liabilities and obligations attaching to The Lottery Corporation Shares and a description of other material provisions of The Lottery Corporation Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of The Lottery Corporation Shareholders. The summary assumes that The Lottery Corporation is admitted to the official list of the ASX.

7.4.2 Meeting of members

Each The Lottery Corporation Shareholder is entitled to receive notice of, attend, and vote at, general meetings of The Lottery Corporation and to receive all notices, accounts and other documents required to be sent to The Lottery Corporation Shareholders under The Lottery Corporation Constitution, the Corporations Act and the ASX Listing Rules. The Lottery Corporation must give at least 28 days' written notice of a general meeting.

The Lottery Corporation Constitution includes provisions that facilitate physical, hybrid and virtual meetings, and The Lottery Corporation Board will determine the structure of each general meeting at the time of convening the meeting.

7.4.3 Voting at a general meeting

At a general meeting of The Lottery Corporation every The Lottery Corporation Shareholder present in person, or by proxy, representative or attorney and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each The Lottery Corporation Share held by The Lottery Corporation Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any deliberative vote.

A person will be deemed to be attending 'in person' where they are physically present, present by proxy, attorney, or participating via technology.

7.4.4 Dividends

The Lottery Corporation Board may pay any dividends that, in its judgement, the financial position of The Lottery Corporation justifies. The Lottery Corporation Board may also pay any dividend required to be paid under the term of issue of a The Lottery Corporation Share, and fix a record date for a dividend and method of payment.

7.4.5 Transfer of The Lottery Corporation Shares

Subject to The Lottery Corporation Constitution and to any restriction attached to a The Lottery Corporation Share, The Lottery Corporation Shares may be transferred by proper ASTC transfer effected in accordance with the ASX Settlement Operating Rules, the Corporations Act and the ASX Listing Rules or by a written transfer in any usual form or by a written transfer in any other form approved by The Lottery Corporation Board and permitted by the relevant laws and ASX requirements. The Lottery Corporation Board may decline to register, or prevent registration of, a transfer of The Lottery Corporation Shares or apply a restriction period to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

7.4.6 Issue of further shares

The Lottery Corporation Board may, subject to The Lottery Corporation Constitution, the Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, The Lottery Corporation Shares on such terms as The Lottery Corporation Board decides.

7.4.7 Preference shares

The Lottery Corporation may issue preference shares including preference shares which are, or at the option of The Lottery Corporation or a holder are, liable to be redeemed or convertible to The Lottery Corporation Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of The Lottery Corporation.

7.4.8 Winding up

If The Lottery Corporation is wound up, then subject to the Corporations Act and any rights or restrictions attached to any The Lottery Corporation Shares or classes of shares, The Lottery Corporation Shareholders will be entitled to a share in any surplus property of The Lottery Corporation in proportion to the number of shares held by them.

If The Lottery Corporation is wound up, the liquidator may, with the sanction of a special resolution, divide among The Lottery Corporation Shareholders the whole or part of The Lottery Corporation property and decide how the division is to be carried out as between The Lottery Corporation Shareholders or different classes of The Lottery Corporation Shareholders.

7.4.9 Non-marketable parcels

In accordance with the ASX Listing Rules, The Lottery Corporation Board may sell The Lottery Corporation Shares that constitute less than a marketable parcel by following the procedures set out in The Lottery Corporation Constitution. A marketable parcel of The Lottery Corporation Shares is defined in the ASX Listing Rules and is generally a holding of The Lottery Corporation Shares with a market value of not less than \$500.

7.4.10 Proportional takeover provisions

The Lottery Corporation Constitution contains provisions requiring The Lottery Corporation Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by The Lottery Corporation Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

7.4.11 Variation of class rights

The procedure set out in The Lottery Corporation Constitution must be followed for any variation of rights attached to The Lottery Corporation Shares. Under The Lottery Corporation Constitution, and subject to the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- (a) with the written consent of the holders of 75% of the shares of the class; or
- (b) by a special resolution passed at a separate meeting of the holders of shares of the class.

7.4.12 Directors – appointment and retirement

Under The Lottery Corporation Constitution, the number of directors shall be a minimum of three directors and a maximum of 10 directors, unless The Lottery Corporation resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of The Lottery Corporation.

No The Lottery Corporation Director (excluding the MD & CEO) may hold office without re-election beyond a third Annual General Meeting following the meeting at which that director was last elected or re-elected. The Lottery Corporation Board may also appoint any eligible person to be a The Lottery Corporation Director, either as an addition to the existing directors or to fill a casual vacancy, but so that the total number of directors does not exceed the maximum number fixed under The Lottery Corporation Constitution. Directors appointed by The Lottery Corporation Board hold office until the conclusion of the next Annual General Meeting of The Lottery Corporation following their appointment.

A person is eligible for election to the office of a The Lottery Corporation Director at a general meeting if they are nominated or recommended by The Lottery Corporation Board or not less than the number of The Lottery Corporation Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements).

7.4.13 Directors – voting

Questions arising at a meeting of The Lottery Corporation Board must be decided by a majority of votes of The Lottery Corporation Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to their deliberative vote, unless there are only two The Lottery Corporation Directors present or entitled to vote, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of The Lottery Corporation Board may be passed without holding a meeting of The Lottery Corporation Board if a majority of The Lottery Corporation Directors entitled to vote on the resolution sign or consent to the resolution.

7.4.14 Directors – remuneration

Under The Lottery Corporation Constitution, The Lottery Corporation Board may decide the remuneration to which each The Lottery Corporation Director is entitled for their services as a director. The total aggregate amount provided to all Non-Executive Directors for their services as directors must not exceed in any financial year the amount fixed by The Lottery Corporation in a general meeting. The remuneration of a The Lottery Corporation Director (who is not the MD & CEO or an executive director) must not include a commission on, or percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 3.7.7.2. Any change to that maximum aggregate amount needs to be approved by The Lottery Corporation Shareholders.

The Lottery Corporation Directors are entitled to be paid for all travelling and other expenses incurred in attending to The Lottery Corporation's affairs, including attending and returning from general meetings of The Lottery Corporation or meetings of The Lottery Corporation Board or The Lottery Corporation Board committees. Any The Lottery Corporation Director who performs extra services, makes any special exertions for the benefit of The Lottery Corporation or otherwise performs services, which, in the opinion of The Lottery Corporation Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by The Lottery Corporation Board) out of the funds of The Lottery Corporation.

The Lottery Corporation Directors' remuneration is discussed further in Section 3.7.7.

7.4.15 Powers and duties of The Lottery Corporation Directors

The business and affairs of The Lottery Corporation are to be managed by or under the direction of The Lottery Corporation Board, which (in addition to the powers and authorities conferred on it by The Lottery Corporation Constitution) may exercise all powers and do all things that are within the power of The Lottery Corporation and that are not required by law or by The Lottery Corporation Constitution to be done by The Lottery Corporation in a general meeting.

7.4.16 Access to records

The Lottery Corporation may enter into contracts with a The Lottery Corporation Director or former The Lottery Corporation Director agreeing to provide continuing access, for a specified period after The Lottery Corporation Director ceases to be a director of The Lottery Corporation, to The Lottery Corporation Board papers, books, records and documents of The Lottery Corporation which relate to the period during which the director or former director was a The Lottery Corporation Director on such terms and conditions as The Lottery Corporation Board thinks fit. The Lottery Corporation may procure that its subsidiaries provide similar access to Board papers, books, records or documents.

7.4.17 Indemnities

The Lottery Corporation must indemnify each officer of The Lottery Corporation and its related bodies corporate, and each person appointed as trustee by or acting as trustee at the request of, The Lottery Corporation or a related body corporate, on a full indemnity basis and to the full extent permitted by law against

ADDITIONAL INFORMATION *continued*

all losses, liability, costs, charges and expenses incurred by that person as an officer of The Lottery Corporation or a related body corporate.

The Lottery Corporation may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of The Lottery Corporation against any liability incurred by that person as an officer of The Lottery Corporation or of a related body corporate, including but not limited to liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

7.4.18 Amendment

The Lottery Corporation Constitution can only be amended by special resolution passed by at least three quarters of The Lottery Corporation Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of The Lottery Corporation.

7.4.19 Share capital

On implementation of the Demerger, the only class of security on issue by The Lottery Corporation will be fully paid ordinary shares.

7.4.20 Regulatory provisions

The Lottery Corporation Constitution includes provisions that facilitate compliance with, and grant The Lottery Corporation and The Lottery Corporation Board powers to comply with, regulatory requirements in each relevant jurisdiction. For example, where a regulator notifies The Lottery Corporation that the shareholding of a The Lottery Corporation Shareholder breaches relevant regulations, The Lottery Corporation may give a notice to the shareholder requiring divestment of their The Lottery Corporation Shares. These provisions are generally similar to the provisions that currently exist in the Tabcorp Constitution.

7.5 ASIC and ASX waivers and consents

7.5.1 ASIC

ASIC has granted relief from paragraph 8302(h) of Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth), which requires an explanatory statement to set out whether, within the knowledge of the Tabcorp Directors, the financial position of Tabcorp has materially changed since the date of the last balance sheet laid before Tabcorp Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2021. ASIC has granted Tabcorp relief from this requirement so that this Demerger Booklet only need set out whether, within the knowledge of the Tabcorp Directors, the financial position of Tabcorp has materially changed since 31 December 2021 (being the last date of the period to which the financial statements for the half year ended 31 December 2021 relate).

ASIC has also granted relief from certain other disclosure requirements that would otherwise apply to this Demerger Booklet under the Corporations Act, including with respect to payments to directors, secretaries and officers in relation to their loss of office or retirement.

Further relief has been sought from ASIC in relation to:

- the prospectus provisions in the Corporations Act, in relation to their application to secondary trading in The Lottery Corporation Shares following the Demerger;
- various provisions in the Corporations Act (including the provisions relating to managed investment schemes, licensing and product disclosure that may otherwise apply to the Sale Facilities; and
- various provisions in the Corporations Act (including the provisions relating to disclosure, licensing, advertising and hawking) that may otherwise apply to the offers to be made in the three months following the Demerger under the new The Lottery Corporation's employee incentive plans.

7.5.2 ASX

The ASX has:

- provided an in-principle confirmation that for the purpose of Listing Rule 1.1, condition 3, The Lottery Corporation may:
 - issue an information memorandum if it complies with the information memorandum requirements of Listing Rule 1.4 (with the exception set out below) and if the information memorandum incorporates this Demerger Booklet, rather than a prospectus for the purpose of its admission to the ASX; and
 - use The Lottery Corporation pro forma historical financial information contained in this Demerger Booklet for the purpose of the assets test under the Listing Rules;
- provided an in-principle waiver from:
 - Listing Rule 1.4.3 insofar as the proposed directors to be appointed to The Lottery Corporation Board following the Demerger (as set out in Section 3.7.1) are required to sign the information memorandum of The Lottery Corporation;
 - Listing Rule 6.23 to the extent necessary to facilitate the proposed treatment of rights granted under Tabcorp's long-term equity incentive plan in connection with the Demerger, without obtaining the approval of The Lottery Corporation Shareholders; and
 - Listing Rule 10.14 to the extent necessary to permit The Lottery Corporation to issue The Lottery Corporation Shares or performance rights to executive directors of The Lottery Corporation under any proposed employee incentive plans and arrangements, without obtaining the approval of The Lottery Corporation Shareholders;
- confirmed that chapter 11 of the Listing Rules does not apply to the Demerger and the approval of Tabcorp Shareholders is not required under the Listing Rules; and
- confirmed that the Timetable for the Demerger is acceptable.

7.6 Transaction and implementation costs

Total one-off cash transaction and implementation costs in relation to the Demerger are estimated to be approximately \$270 million (on a pre-tax basis).

It is expected that approximately \$57 million of these costs will have been paid by Tabcorp prior to the Implementation Date. The remaining \$213 million of costs are expected to be paid post the Implementation Date, of which approximately \$64 million will be paid by New Tabcorp and approximately \$149 million paid by The Lottery Corporation. A significant proportion of costs to be incurred post the Implementation Date relate to The Lottery Corporation establishing its technology infrastructure, separate from current Tabcorp systems, and are anticipated to be incurred prior to 30 June 2023.

The one-off cash transaction and implementation costs relate to a range of activities associated with the Demerger including advisers' fees, technology separation costs and restructuring and other costs. These costs are estimated as follows:

- advisers' fees of approximately \$36 million (excluding \$3 million of unrecoverable GST), payable to financial, financial and accounting due diligence, legal, tax, operational separation and other advisers relating to the Demerger;
- technology separation costs of approximately \$166 million relating to the replication and separation of IT systems; and
- restructuring and other costs of approximately \$68 million which include a range of costs such as organisational restructuring costs, stamp duty, costs associated with the effective transfer of USPP notes and establishing New Tabcorp and The Lottery Corporation debt facilities and The Lottery Corporation listing fees.

The costs outlined above are estimates. The actual cash costs incurred may be different to these estimated costs, and the difference may be significant.

The Demerger will also result in some non-cash items being incurred; however, it is not possible to quantify these non-cash items at this stage.

7.7 Material arrangements relating to the Demerger

The key transaction documents to give effect to the Demerger are summarised below.

Not all of the transactions underlying the Corporate Restructure have been entered into or effected on the same terms as could have been obtained from third parties. In particular, agreements for the transactions underlying the Corporate Restructure have not included terms such as certain warranties that might have been obtained from third parties. This reflects the nature of the Demerger (which is unlike a sale to a third party) and the desire of the Tabcorp Board to appropriately allocate the risks and benefits of these arrangements between the Tabcorp Group and The Lottery Corporation Group.

7.7.1 Restructure Agreement

Tabcorp and The Lottery Corporation have entered into the Restructure Agreement to procure that all steps necessary to effect the Corporate Restructure are undertaken prior to implementation of the Demerger.

Under the Restructure Agreement, Tabcorp and The Lottery Corporation agree to:

- procure the transfer of certain entities that do not undertake activities relating to The Lottery Corporation business described in Section 3 from The Lottery Corporation Group to the Tabcorp Group, prior to The Lottery Corporation Listing;
- procure the transfer of certain entities that do undertake activities relating to The Lottery Corporation business described in Section 3 from the Tabcorp Group to The Lottery Corporation Group, prior to The Lottery Corporation Listing; and
- procure the elimination of all inter-company loans between members of The Lottery Corporation Group and the Tabcorp Group that have not been discharged prior to implementation of the Demerger.

In addition, the Restructure Agreement sets out terms with respect to the USPP notes (as summarised in Section 3.13.9), as and between Tabcorp and The Lottery Corporation.

7.7.2 Demerger Implementation Deed

The Implementation Deed entered into between Tabcorp and The Lottery Corporation sets out certain steps required to be taken by each of them to give effect to the Demerger.

The key terms of the Implementation Deed are:

- **(Conditions)** The obligations of Tabcorp and The Lottery Corporation under the deed are subject to the conditions summarised in Section 5.1.1 being satisfied.
- **(Joint Obligations)** Tabcorp and The Lottery Corporation have certain joint obligations in relation to the Demerger including to:
 - apply for and obtain all regulatory approvals required for the Demerger;
 - prepare the disclosure documents to be sent to Tabcorp Shareholders and required for The Lottery Corporation Listing, and use reasonable endeavours to ensure that those disclosure documents comply with applicable laws and regulations;
 - effect the Demerger in accordance with an agreed timetable;
 - cause the appointment of the persons listed in Section 3.7.1 as directors of The Lottery Corporation with effect from the date on which the Scheme becomes Effective; and
 - effect the Corporate Restructure as contemplated by the Restructure Agreement.
- **(Tabcorp Obligations)** Tabcorp must take all necessary steps to implement the Demerger on the timetable agreed between Tabcorp and The Lottery Corporation, including to:
 - apply for Court orders to convene the General Meeting and Scheme Meeting, and declare the Dividend;
 - apply for Court orders to approve the Scheme;
 - lodge a copy of the Court order approving the Scheme with ASIC;
 - procure the transfer of the relevant The Lottery Corporation Shares to the relevant Tabcorp Shareholders and Sale Agent (as applicable);

- procure the sale of The Lottery Corporation Shares by the Sale Agent for Ineligible Overseas Shareholders and Selling Shareholders and payment of proceeds in accordance with the Scheme; and
- comply with the terms of the Scheme in all respects.
- **(Obligations of The Lottery Corporation)** The Lottery Corporation must take all necessary steps to implement the Demerger on the timetable agreed between Tabcorp and The Lottery Corporation, including to:
 - register The Lottery Corporation Shareholders as referred to in Section 5.2.5; and
 - issue holding statements to holders of The Lottery Corporation Shares as contemplated in Section 5.2.5.
- **(Listing)** The Lottery Corporation must apply for admission of The Lottery Corporation to the Official List of the ASX and official quotation of The Lottery Corporation Shares on the ASX and Tabcorp must provide reasonable assistance to enable The Lottery Corporation to comply with these obligations.

7.7.3 Deed Poll

The Lottery Corporation entered into the Deed Poll in favour of Tabcorp Shareholders as at the Record Date under which The Lottery Corporation has undertaken to take certain steps in respect of the Scheme, including applying for admission to the Official List of the ASX and for official quotation of The Lottery Corporation Shares on the ASX.

The Deed Poll is set out in full in Annexure D – Deed Poll.

7.7.4 Separation Deed

The Separation Deed entered into between Tabcorp and The Lottery Corporation deals with issues arising in connection with the separation of The Lottery Corporation from the Tabcorp Group.

The key terms of the Separation Deed are (subject to limited exceptions) as follows:

- **(Demerger Principles)** The fundamental underlying principles of the Demerger are that on and from the Implementation Date:
 - **(Risk and benefit)** The Lottery Corporation Group will have the entire economic benefit and risk of the businesses to be conducted by The Lottery Corporation Group after the Implementation Date and all former The Lottery Corporation Group businesses, as if The Lottery Corporation Group and not the Tabcorp Group had owned those businesses at all times; and
 - the Tabcorp Group will have the entire economic benefit and risk of the businesses to be conducted by the Tabcorp Group after the Implementation Date and any business which is not a business to be conducted by The Lottery Corporation Group after the Implementation Date or a former The Lottery Corporation Group business, as if the Tabcorp Group and not The Lottery Corporation Group had owned those businesses at all times.
 - **(Rights and obligations)** No member of the Tabcorp Group will have any rights against, or obligations to, any member of The Lottery Corporation Group and no member of The Lottery Corporation Group will have any rights against, or obligations to, any member of the Tabcorp Group other than in respect of arrangements which the parties have agreed will continue after implementation of the Demerger.
- **(Assumption of liabilities)** Consistent with the Demerger Principles:
 - Tabcorp will assume and be responsible for all liabilities relating to the businesses to be conducted by the Tabcorp Group after the Implementation Date and all former Tabcorp Group businesses and Tabcorp indemnifies The Lottery Corporation Group against all claims and liabilities relating to those businesses; and
 - The Lottery Corporation will assume and be responsible for all liabilities relating to the businesses to be conducted by The Lottery Corporation Group after the Implementation Date and all former The Lottery Corporation Group businesses and indemnifies the Tabcorp Group against all claims and liabilities relating to those businesses.
- **(Releases and indemnities)** Tabcorp and The Lottery Corporation agree to the releases and indemnities required to give effect to the Demerger Principles.

ADDITIONAL INFORMATION *continued*

- **(Assets)** Tabcorp and The Lottery Corporation agree to ensure that the assets exclusively relating to businesses conducted by The Lottery Corporation are held by or transferred to the correct The Lottery Corporation Group member, and that all assets exclusively relating to businesses conducted by Tabcorp are held by or transferred to the correct Tabcorp Group member. The Separation Deed also contains arrangements in relation to the separation of assets that are shared by businesses conducted by both Tabcorp and The Lottery Corporation Group as at the Implementation Date.
- **(Contracts)** Tabcorp must use all reasonable endeavours to transfer each contract to which a Tabcorp Group member is a party as at the Implementation Date which exclusively relates to businesses conducted by The Lottery Corporation Group to The Lottery Corporation Group. Reciprocal obligations apply to The Lottery Corporation for contracts which exclusively relate to businesses conducted by Tabcorp to which The Lottery Corporation Group is a party. The Separation Deed also contains arrangements in relation to the separation of contracts which are shared by businesses conducted by both Tabcorp and The Lottery Corporation Group and identified after the date of the Separation Deed.
- **(Employees)** Tabcorp and The Lottery Corporation must each use their best endeavours to procure the transfer of The Lottery Corporation employees, including by consulting and engaging in an offer and acceptance process with relevant The Lottery Corporation transferring employees. The Separation Deed also contains arrangements in relation to the recognition of transferring The Lottery Corporation employees' rights and obligations, including superannuation, employee incentive plans, secondments and the provision of transitional services, and obligations in relation to employee liabilities and non-solicitation.
- **(Separation)** The Separation Deed also gives effect to the process for separation developed by Tabcorp and The Lottery Corporation, which encompasses details regarding the physical and technological separation of the Tabcorp Group businesses and The Lottery Corporation Group businesses.

7.7.5 Transitional Services Agreement (TSA)

While The Lottery Corporation Group operates largely autonomously of Tabcorp, there are some support services that have historically been provided by the Tabcorp Group to The Lottery Corporation Group.

The Tabcorp Group and The Lottery Corporation Group have agreed to enter into a TSA for the provision of transitional services for an initial term of up to 14 months, with an option for The Lottery Corporation Group to extend the term of one or more transitional services for a further period up to six months. The term of the TSA may also be extended in the event of a delay in separation. All services provided under the TSA will be charged at cost. Subject to limited exceptions, the services are required to be provided to the same standard to which those services were supplied in the 12 months prior to the Demerger.

Either party may terminate the TSA for material breach. The Lottery Corporation Group may also terminate the provision of a transitional service for convenience subject to a notice period of three months and reimbursement of any costs that the Tabcorp Group may incur as a result of early termination.

The transitional services to be provided by the New Tabcorp Group to The Lottery Corporation Group are finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, customer screening, responsible gambling, transaction and fraud monitoring, information technology and other services to The Lottery Corporation, pending migration or successful independent duplication of those services by The Lottery Corporation. The majority of the transitional services relate to information technology and related services.

7.7.6 Commercial arrangements

New Tabcorp will hold agreements with The Lottery Corporation to provide:

- technical and customer support services (including call centre services) to The Lottery Corporation's Keno operations on a transitional basis; and
- field services to The Lottery Corporation's Lotteries and Keno operations for a fixed term of three years (extendable at The Lottery Corporation's option).

Each of these agreements represent a formalisation of terms that have been in place between the parties for several years.

7.8 Foreign jurisdictions and selling restrictions

7.8.1 Foreign exchange controls

There are currently Australian exchange controls which restrict the remittances of dividends, interest or other payments by Tabcorp or The Lottery Corporation to non-resident shareholders outside Australia, if they are certain persons or entities designated by the Australian Minister of Foreign Affairs or Minister for Trade (as applicable) as being associated with the Democratic People's Republic of Korea (North Korea), Iran, Libya, the former government of the Federal Republic of Yugoslavia, Myanmar, Russian Federation, Ukraine, Syria or Zimbabwe.

The Australian Government has also implemented certain financial sanctions made by the United Nations Security Council (which prevents dealing with financial resources owned by or giving financial resources to designated persons) in relation to: Al-Qaida, the Central African Republic, Counter-Terrorism, the Democratic Republic of Congo, Guinea-Bissau, Iran, Iraq, ISIL (Da'esh), Lebanon, Libya, Mali, North Korea, Somalia, South Sudan, Sudan, the Taliban and Yemen.

For information on designated persons or entities, refer to the Department of Foreign Affairs and Trade's website at www.dfat.gov.au/un/unscl_sanctions/.

7.8.2 Restrictions on foreign ownership

There are no limitations under Australian law on the right of non-residents to hold or vote The Lottery Corporation Shares other than as set out below.

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a Substantial Interest in The Lottery Corporation or foreign persons hold an Aggregate Substantial Interest in The Lottery Corporation, The Lottery Corporation may (subject to certain exceptions) itself be a 'foreign person' for the purpose of the FATA.

Where an acquisition of a Substantial Interest or an Aggregate Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. Under the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

7.8.3 Foreign selling restrictions

This Demerger Booklet does not constitute an offer of The Lottery Corporation Shares in any jurisdiction in which it would be unlawful. In particular, this Demerger Booklet may not be distributed to any person, and The Lottery Corporation Shares may not be offered or sold, in any country outside Australia except to the extent provided below.

7.8.3.1 Canada

The Lottery Corporation Shares will be issued under the Scheme in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada. No securities commission in Canada has reviewed or in any way passed upon this Demerger Booklet or the merits of the Scheme.

ADDITIONAL INFORMATION *continued*

7.8.3.2 *Hong Kong*

WARNING: The contents of this Demerger Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Demerger Booklet, you should obtain independent professional advice.

This Demerger Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Demerger Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Demerger Booklet in Hong Kong, other than to persons who are 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in this document being a 'prospectus' as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Demerger Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Demerger Booklet may be issued to a limited number of persons in Hong Kong in a manner that does not constitute any issue, circulation or distribution of this Demerger Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. This document is for the exclusive use of Tabcorp Shareholders in connection with the Scheme. No steps have been taken to register or seek authorisation for the issue of this Demerger Booklet in Hong Kong.

This Demerger Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Demerger Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Demerger Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Scheme by Tabcorp Shareholders.

7.8.3.3 *New Zealand*

This Demerger Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other New Zealand law.

The offer of The Lottery Corporation Shares under the Scheme is being made to existing shareholders of Tabcorp in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Demerger Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

7.8.3.4 *Singapore*

This Demerger Booklet and any other document relating to the Scheme have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Scheme is not regulated by any financial supervisory authority in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (**SFA**) will not apply.

This Demerger Booklet and any other document relating to the Scheme may not be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except

pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to The Lottery Corporation Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Demerger Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person. Any investment referred to in this Demerger Booklet may not be suitable for you and it is recommended that you consult an independent investment adviser if you are in doubt about such investment.

Neither Tabcorp nor The Lottery Corporation is in the business of dealing in securities or holds itself out, or purports to hold itself out, to be doing so. As such, Tabcorp and The Lottery Corporation are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

7.8.3.5 United Kingdom

Neither this Demerger Booklet nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of The Lottery Corporation Shares.

This Demerger Booklet does not constitute an offer of transferable securities to the public within the meaning of the UK Prospectus Regulation or the FSMA. Accordingly, this Demerger Booklet does not constitute a prospectus for the purposes of the UK Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of The Lottery Corporation Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Tabcorp or The Lottery Corporation.

In the United Kingdom, this Demerger Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this Demerger Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Demerger Booklet.

7.8.3.6 United States

This Demerger Booklet has not been filed with, or reviewed by, the US Securities and Exchange Commission or any US state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Demerger Booklet. Any representation to the contrary is a criminal offence.

The Lottery Corporation Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. Upon completion of the Scheme, The Lottery Corporation Shares will be issued pursuant to an exemption from the registration requirements under the US Securities Act and applicable US state securities laws. The Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Tabcorp should note that the Scheme involves a distribution of securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

ADDITIONAL INFORMATION continued

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Tabcorp and The Lottery Corporation are located in Australia and most, if not all, of their officers and directors are residents of Australia. You may not be able to sue their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Tabcorp and The Lottery Corporation to subject themselves to a US court's judgement.

7.9 Other material information and supplementary disclosure

7.9.1 Other information material to the making of a decision in relation to the Demerger

Except as set out in this Demerger Booklet, there is no other information material to the making of a decision in relation to the Demerger Resolutions being information that is within the knowledge of any Tabcorp Director which has not previously been disclosed to Tabcorp Shareholders.

7.9.2 Supplementary information

Tabcorp will issue a supplementary document to this Demerger Booklet if it becomes aware of any of the following between the date of lodgement of this Demerger Booklet for registration by ASIC and the Effective Date:

- a material statement in this Demerger Booklet is false or misleading;
- a material omission from this Demerger Booklet;
- a significant change affecting a matter included in this Demerger Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Demerger Booklet if it had arisen before the date of lodgement of this Demerger Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Tabcorp may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Tabcorp's website (www.tabcorp.com.au); or
- making an announcement to the ASX.

Any updated information about the Demerger which is not materially adverse to investors is likely to be made available by announcement to the ASX and on Tabcorp's website (www.tabcorp.com.au). Where updated information about the Demerger is materially adverse to investors, a supplementary document will be issued and made available in accordance with regulatory requirements. ASIC's policy is that shareholders should be given at least 10 days to consider any supplementary documentation before voting on a scheme of arrangement.

Prior to the Meetings, Tabcorp will provide a copy of the updated information free of charge, to any person who requests a copy by calling the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (international) on weekdays between 8:00am and 7:30pm (Sydney time).

Section 8

Regulatory framework and key agreements relevant to The Lottery Corporation



REGULATORY FRAMEWORK AND KEY AGREEMENTS RELEVANT TO THE LOTTERY CORPORATION *continued*

8.1 Regulatory background to The Lottery Corporation

A number of licences that will be held by members of The Lottery Corporation Group are described in this section.

8.1.1 Australian Capital Territory

Members of The Lottery Corporation Group will hold approvals to conduct both Keno and lotteries in the Australian Capital Territory.

8.1.1.1 Keno

An approval to conduct Keno is currently held by Tabcorp ACT Pty Ltd (ACN 167 957 002) (**Tabcorp ACT**) under the *Lotteries Act 1964* (ACT) and *Pool Betting Act 1964* (ACT) effective from 14 October 2014 (**ACT Keno Approval**). The ACT Keno Approval operates indefinitely unless it is revoked on specific and limited grounds.

The ACT Keno Approval authorises Tabcorp ACT to conduct the game of Keno from within the Australian Capital Territory. Tabcorp ACT is currently the sole holder of an approval to conduct Keno in the Australian Capital Territory.

It is a condition of the ACT Keno Approval that Tabcorp ACT complies with the terms of a separate deed of agreement it entered into with the Australian Capital Territory (the **ACT Deed**). The ACT Deed contains obligations and benefits that relate to both Keno and Wagering and Media and expires in 2064.

Tabcorp ACT will continue to be a member of the New Tabcorp Group following the Demerger. Accordingly, Tabcorp is seeking the necessary regulatory approvals to enable the ACT Keno Approval to be transferred to Keno (ACT) Pty Ltd (ACN 654 299 626) (**Keno ACT**), which will be a member of The Lottery Corporation Group. Tabcorp expects the necessary approvals to be received prior to the Implementation Date, so that the ACT Keno Approval will transfer to Keno ACT on the Implementation Date.

The obligations of Tabcorp ACT as they relate to Wagering and Media and Keno under the ACT Deed will be decoupled from the Implementation Date. Keno ACT, as the proposed new holder of the ACT Keno Approval, will assume all the obligations under the ACT Deed that relate to Keno from the Implementation Date.

8.1.1.2 Lotteries

An approval was granted to New South Wales Lotteries Corporation Pty Ltd (ACN 410 374 474) (**NSW Lotteries**) under the *Lotteries Act 1964* (ACT) and *Pool Betting Act 1964* (ACT) on 6 September 2015 and commenced on 7 September 2015 (**ACT Lotteries Approval**). The ACT Lotteries Approval operates indefinitely unless it is revoked on specific and limited grounds.

The ACT Lotteries Approval authorises the licensee to conduct a lottery scheme in respect of the following lottery products: Draw Lotteries (Lucky Lotteries – Super Jackpot and Mega Jackpot), Instant Lotteries, Lotto, Lotto Strike, Oz Lotto, Powerball, Soccer Football Pools and Set for Life. Soccer Football Pools was decommissioned by NSW Lotteries in 2018.

The ACT Lotteries Approval is non-exclusive; however, NSW Lotteries is currently the sole holder of an approval to conduct lotteries in the Australian Capital Territory.

8.1.2 New South Wales

Members of The Lottery Corporation Group will hold licences to conduct both Keno and lotteries in New South Wales.

8.1.2.1 Keno

An Operator Licence and Keno Product Licence (together, the **NSW Keno Licences**) were granted to both ClubKeno Holdings Pty Ltd (ACN 002 821 570) and Keno (NSW) Pty Ltd (ACN 003 992 327) as joint licensees under the *Public Lotteries Act 1996* (NSW) on 29 June 2016. The NSW Keno Licences expire on 1 April 2050.

The Operator Licence authorises the joint licensees to conduct any public lottery that is a game of Keno for which it holds the product licence. The Keno Product Licence authorises the joint licensees to conduct 'games of Keno'.

The relationship and the agreed delineation of responsibilities between ClubKeno Holdings Pty Ltd (ACN 002 821 570) and Keno (NSW) Pty Ltd (ACN 003 992 327) is set out in a number of commercial agreements between the parties.

The joint licensees hold the sole Keno licence in New South Wales at present.

8.1.2.2 Lotteries

An Operator Licence and related Product Licences were granted to NSW Lotteries under the *Public Lotteries Act 1996* (NSW). The Operator Licence was granted on 31 March 2010 and commenced on 1 April 2010. The Product Licences were granted at different times, with the majority also granted on 31 March 2010 and commencing on 1 April 2010. The Operator Licence and Product Licences expire on 1 April 2050.

The Operator Licence authorises NSW Lotteries to conduct any public lottery games for which it holds a product licence. The licensee holds Product Licences for the following lottery products: Draw Lotteries (Lucky Lotteries – Super Jackpot and Mega Jackpot), Lotto, Instant Lotteries, Lotto Strike, Oz Lotto, Powerball, Soccer Football Pools and Set for Life. Soccer Football Pools was decommissioned by NSW Lotteries in 2018.

The Operator Licence is granted 'as an exclusive Operator Licence for the term of the Operator Licence'. Pursuant to section 18(2) of the *Public Lotteries Act 1996* (NSW), the effect of this is that no other operator licence can be granted under the *Public Lotteries Act 1996* (NSW) to be in force during the exclusivity period with a limited exception for licences already in force when the Operator Licence was granted.

8.1.3 Northern Territory

Members of The Lottery Corporation Group will be authorised under an agreement and hold a permit to conduct lotteries in the Northern Territory.

8.1.3.1 Permit to sell tickets in foreign lotteries

A permit to sell tickets in foreign lotteries was granted to Golden Casket Lottery Corporation Ltd (ACN 078 785 449) (**Golden Casket**) under the *Gaming Control Act 1993* (NT) on 1 July 2008 (**Foreign Lotteries Permit**). The Foreign Lotteries Permit will expire on 30 June 2023.

The Foreign Lotteries Permit authorises the permit holder to sell in the Northern Territory tickets in 'instant money lotteries'.

It is expressly granted on a non-exclusive basis. However, Golden Casket is the sole distributor of instant money lotteries (**Instant Scratch-Its**) at present.

8.1.3.2 Section 38A Agreement

The 'Agreement Pursuant to Section 38A Gaming Control Act for Conduct of Lotteries' is an agreement between the NT Racing Minister, the NT Treasurer and Tatts NT Lotteries, and was entered into on 20 June 2012 pursuant to section 38A of the NT Gaming Control Act (**Section 38A Agreement**). The Section 38A Agreement expires on 30 June 2032.

REGULATORY FRAMEWORK AND KEY AGREEMENTS RELEVANT TO THE LOTTERY CORPORATION *continued*

The Section 38A Agreement authorises the licensee to conduct the following Lotteries in and from the Northern Territory, including selling tickets in the lottery games in foreign jurisdictions by means of the internet: Saturday Lotto (formerly 'TattsLotto'), Monday & Wednesday Lotto, Powerball, Oz Lotto, Draw Lottery, Instant Lottery, Super 66 and Set for Life.

Except in relation to the Lotteries listed above, the Section 38A Agreement is non-exclusive and the NT Racing Minister may issue further agreements to any other person.

8.1.4 Queensland

Members of The Lottery Corporation Group will hold licences to conduct both Keno and lotteries in Queensland.

8.1.4.1 Keno

A Keno Licence was granted to Keno (Qld) Pty Ltd (ACN 071 366 446) (formerly known as Jupiters Gaming Pty Ltd) under the *Keno Act 1996* (QLD) and commenced on 23 June 1997 (**Qld Keno Licence**). The Qld Keno Licence expires on 22 June 2047.

The Keno Licence authorises the licensee to conduct the game of Keno.

The Qld Keno Licence was granted on an exclusive basis until 23 June 2022. During the exclusivity period, the State has agreed not to authorise, permit or approve any person to operate or carry on Keno, with the exception of Golden Casket (the holder of the Lottery Operator's Licence in Queensland).

8.1.4.2 Lotteries

A Lottery Operator's Licence was granted to Golden Casket under the *Lotteries Act 1997* (QLD) on 5 June 2007 and Golden Casket entered into a Licensed Lottery Operator Agreement with the Lottery Licence holder, Queensland Lottery Corporation Pty Ltd (ACN 124 921 311) (a government entity formed as part of the privatisation of Golden Casket), which commenced on 29 June 2007 (**Qld Licence & Agreement**). The Qld Licence & Agreement expires on 31 July 2072.

The Qld Licence & Agreement authorises the conduct of the following lotteries: Monday & Wednesday Gold Lotto, Saturday Gold Lotto, Powerball, Pools, Super 66, Oz Lotto, Instant Scratch-Its, Set for Life, Casket and Promotional Lottery. Both Casket and Pools have been decommissioned since the Qld Licence & Agreement commenced.

Golden Casket is currently the sole holder of a Lottery Operator's licence in Queensland and, under the Licensed Lottery Operator Agreement, Golden Casket is appointed the exclusive operator of the 'Lottery Business' (in summary, defined to mean the development, marketing and conduct of the lotteries listed above).

8.1.5 South Australia

In South Australia, public lotteries (including Keno) are conducted by the Lotteries Commission of South Australia (**SALC**) pursuant to the *State Lotteries Act 1966* (SA) and no member of The Lottery Corporation Group will hold a licence to conduct Keno or lotteries.

Tatts Lotteries SA Pty Ltd (ACN 146 245 007) (formerly known as Tatts Lotteries Bid Co Pty Ltd) (**Tatts SA**) has been appointed as the exclusive master agent of SALC for the sale of entries into all lottery games operated by SALC (including Keno games) under a Master Agency Agreement and Operations Deed dated 26 November 2012. The appointment commenced on 11 December 2012 and will expire on 10 December 2052.

8.1.6 Tasmania

Members of The Lottery Corporation Group will hold permits to sell lotteries in Tasmania.

8.1.6.1 Foreign Games Permit (Instant Lotteries)

A Foreign Games Permit was granted to Golden Casket under the *Gaming Control Act 1993* (TAS) on 12 June 2018 to sell Instant Lotteries (**Instant Lotteries Permit**). The Instant Lotteries Permit expires on 30 June 2023.

8.1.6.2 Foreign Games Permit (Lotteries)

A Foreign Games Permit was granted to Tattersall's Sweeps Pty Ltd (ACN 081 925 662) (**Tatts Sweeps**) under the *Gaming Control Act 1993* (TAS) on 12 June 2020 to sell Tatts Sweeps draw lottery products (**Draw Lottery Permit**) and expires on 30 June 2025.

The Draw Lottery Permit authorises Tatts Sweeps Pty Ltd to sell tickets in the following foreign games: TattsLotto, Monday & Wednesday Lotto, Oz Lotto, Powerball, Super 66, Lucky Lotteries and Set for Life.

8.1.7 Victoria

Members of The Lottery Corporation Group will hold licences to conduct both Keno and lotteries in Victoria.

8.1.7.1 Keno

A Keno Licence was granted to Tabcorp Investments No.5 Pty Ltd (**Keno VIC**) under the *Gambling Regulation Act 2003* (VIC), which authorises Keno VIC to conduct Authorised Keno Games (**Vic Keno Licence**). The Vic Keno Licence commenced on 15 April 2012 and expires on 14 April 2022.

On 23 February 2022, the Victorian Government announced that Tabcorp had been granted one of two licences for a term of 20 years commencing on 15 April 2022 to "conduct and distribute the game of Keno in eligible hotels, clubs, wagering outlets and electronically throughout Victoria".

8.1.7.2 Lotteries

A Public Lottery Licence was granted to Tatts Sweeps under the *Gambling Regulation Act 2003* (VIC) on 1 June 2017 and commenced on 1 July 2018. The Public Lottery Licence will expire on 30 June 2028.

The Public Lottery Licence authorises Tatts Sweeps to conduct the following authorised public lotteries: TattsLotto, Monday & Wednesday Lotto, Set for Life, Oz Lotto, Powerball, Draw Lotteries (Lucky Lotteries – Super Jackpot and Mega Jackpot), Super 66 and Instant Scratch-Its.

Under the Public Lottery Licence the licensee is granted certain exclusive benefits. In summary, it is recorded in the Public Lottery Licence that it is the only Public Lottery Licence that will be in effect during the term with only limited exceptions.

8.2 Regulatory restrictions relevant to The Lottery Corporation

8.2.1 Shareholding and key personnel restrictions

There are restrictions on:

- shareholdings in members of The Lottery Corporation Group; and
- senior personnel and management of the relevant licensees and The Lottery Corporation Group,

which arise under legislation or due to the requirements of regulatory authorities. Set out below is a summary of these restrictions.

8.2.1.1 New South Wales

8.2.1.1.1 'Significant change' in the ownership structure

Under section 20 of the *Public Lotteries Act 1996* (NSW), a 'significant change' in the ownership structure of a licensee must not occur unless the relevant Minister has given written consent for the change to occur.

REGULATORY FRAMEWORK AND KEY AGREEMENTS

RELEVANT TO THE LOTTERY CORPORATION *continued*

A 'significant change' occurs when:

- (a) a person acquires a relevant interest in issued voting shares in the licensee or any holding company of the licensee and the acquisition results in that person's, or some other person's, voting power in the licensee or holding company increasing from 20% or below to more than 20%; or
- (b) a person becomes a person who controls, or ceases to be a person who controls, the licensee or any holding company of the licensee.

This restriction applies to both the lotteries and Keno licensees, and related notification requirements are recorded in the lotteries and Keno Operator Licences.

The CKH Management Agreement contains a similar restriction and a 'significant change' in the ownership structure of either party requires the prior written consent of the other party.

8.2.1.1.2 Change in or addition to 'Close Associates'

Under the lotteries and Keno Operator Licences, each licensee is required to notify the Minister promptly upon a change in or addition to the licensee's 'Close Associates'. 'Close Associate' is defined broadly and in summary captures persons that:

- (a) hold or will hold certain directorial, managerial or executive positions in the business (whether in his or her own right or on behalf of any other person);
- (b) can or will be entitled to (whether in his or her own right or on behalf of any other person) elect or appoint persons to directorial, managerial or executive positions, or persons that can or will be entitled to (whether in his or her own right or on behalf of any other person) participate in any directorial, managerial or executive decisions, and by virtue of that power is or will be able to (in the opinion of the relevant Minister) exercise a significant influence over or with respect to the management or operation of that business; and
- (c) hold or will hold in the relevant business:
 - (i) any share in the capital of the business;
 - (ii) any entitlement to receive any income derived from the business, or to receive any other financial benefit or financial advantage from the carrying on of the business, whether the entitlement arises at law or in equity or otherwise; or
 - (iii) any entitlement to receive any rent, profit or other income in connection with the use or occupation of premises on which the business of the other person is to be carried on; and

by virtue of that interest is or will be able to (in the opinion of the relevant Minister) exercise a significant influence over or with respect to the management or operation of that business.

The CKH Operating Agreement contains a similar requirement and each party must notify the other party upon a change in or addition to its Close Associates.

8.2.1.2 Northern Territory

8.2.1.2.1 Change of control

Under the Section 38A Agreement, the following must not occur without the prior written consent of the relevant Minister:

- (a) any sale, transfer or other disposition or dealing with whatsoever of the legal or beneficial interest in shares in the capital of Tatts NT Lotteries or any ultimate holding company of Tatts NT Lotteries;
- (b) any issue or allotment of any new shares in the capital of Tatts NT Lotteries or any ultimate holding company of Tatts NT Lotteries;
- (c) any change in the office bearers of Tatts NT Lotteries, other than where any new, additional or substituted office bearer is a person who is at the time permitted or approved by certain Australia regulatory authorities; or
- (d) the happening of any other matter or event whatsoever,

the effect of which is:

- (e) that a different person or group of persons (other than a wholly owned subsidiary of Tatts Group) will control the composition of the board of directors or more than 10% of the shares giving a right to vote at general meetings; and/or
- (f) to otherwise transfer directly or indirectly more than 10% of the effective ownership, management or control of Tatts NT Lotteries to a person (other than a wholly owned subsidiary of Tatts Group) who did not previously have that control.

8.2.1.3 *Queensland*

8.2.1.3.1 **Change of control and similar restrictions**

Lotteries

Under the Licensed Lottery Operator Agreement, Golden Casket must obtain the prior written consent of Queensland Lottery Corporation Pty Ltd (ACN 124 921 311) and Tatts Group if a 'Change of Control' occurs in relation to Golden Casket. A 'Change of Control' occurs in relation to Golden Casket if an entity who as at 29 June 2007, cannot do or is not in a position to do any of the following and subsequently has the ability to do so in respect of Golden Casket or a Holding Company of Golden Casket (other than Tatts Group):

- (a) does not have the capacity to control the composition of the board of directors of Golden Casket or of a Holding Company (as that term is defined under the Corporations Act) of Golden Casket (other than Tatts Group);
- (b) is not in a position to cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of Golden Casket or a Holding Company of Golden Casket; or
- (c) does not have a relevant interest in more than 50% of the issued share capital of Golden Casket or a Holding Company of Golden Casket, excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital.

Additionally, under the Queensland Lottery Operator's Licence, a broader restriction is recorded by way of a licence condition which, in summary, prohibits Golden Casket from issuing, allotting, re-allotting or otherwise disposing of shares or securities conferring rights of conversion to shares in the capital of Golden Casket without the prior written approval of the relevant Minister.

Keno

Under the Queensland Keno Agreement:

- (a) Keno (Qld) Pty Ltd must not issue, allot, re-allot or otherwise dispose of shares or securities conferring rights of conversion to shares in the capital of Keno (Qld) Pty Ltd without the prior written approval of the relevant Minister; and
- (b) Tabcorp Gaming Holdings Pty Ltd (ACN 136 582 806) must not transfer any of its shares in the capital of Keno (Qld) Pty Ltd, and Keno (Qld) Pty Ltd must not register any such transfer, without the prior written approval of the relevant Minister.

8.2.1.4 *South Australia*

Under the Master Agency Agreement, a change in the legal or beneficial ownership of at least 20% of the shareholding in Tatts SA must not occur without the prior written consent of SALC. Similar restrictions exist under other agreements between SALC and Tatts SA which relate to the appointment of Tatts SA as the master agent of SALC.

8.2.1.5 *Tasmania*

Under condition 15 of each of the Foreign Games Permit (Instant Lotteries) and the Foreign Games Permit (Lotteries), all new 'associates' of the permit holder must be approved by the TLGC to be a suitable person to be concerned in or associated with the sale of tickets in Tasmania in a foreign game conducted by the permit holder.

REGULATORY FRAMEWORK AND KEY AGREEMENTS

RELEVANT TO THE LOTTERY CORPORATION *continued*

Under the Tasmanian Gaming Control Act, a person is an 'associate' of a permit holder that is not a natural person if the person:

- (a) holds or will hold any 'relevant financial interest' (relevantly, defined to include any share in the capital of the business), or is or will be entitled to exercise any 'relevant power' (whether in right of the person or on behalf of any other person) (relevantly, defined to mean any power to participate in any directorial, managerial or executive decision, or to elect or appoint any person to any 'relevant position') in the gaming operation business of the permit holder, and by virtue of that interest or power, is able or will be able to exercise a significant influence over or with respect to the management or operation of that gaming operation business; or
- (b) holds or will hold any 'relevant position', whether in right of the person or on behalf of any other person, in the gaming operation business of the permit holder. A 'relevant position' is relevantly defined to mean the position of director, manager or other executive position or secretary however that position is designated in that business.

8.2.1.6 Victoria

8.2.1.6.1 Approval of 'associates' of 'gambling industry participants'

The *Gambling Regulation Act 2003* (VIC) contains a regime in relation to approvals that are required before a person becomes an 'associate' of a 'gambling industry participant'.

A 'gambling industry participant' is defined broadly and includes a Keno licensee and a public lottery licensee, and consequently applies to members of The Lottery Corporation Group.

An 'associate' of a 'gambling industry participant' that is not a natural person is:

- (a) a person who holds or will hold any 'relevant financial interest' (relevantly, defined to include any share in the capital of the business), or is or will be entitled to exercise any 'relevant power' (whether in right of the person or on behalf of any other person) (relevantly, defined to mean any power to participate in any directorial, managerial or executive decision, or to elect or appoint any person as an 'executive officer') in the gambling business of the gambling industry participant, and by virtue of that interest or power, is able or will be able to exercise a significant influence over or with respect to the management or operation of that business; or
- (b) a person who is or will be an 'executive officer', whether in right of the person or on behalf of any other person, of the gambling business of the gambling industry participant. An 'executive officer' in relation to a body (whether incorporated or not) is defined to mean a director, secretary or member of the committee of management of the body, or any other person who is concerned with or takes part in the management of the body whether or not the person's position is given the name of executive officer.

Section 10.4A.5 requires a 'gambling industry participant' to notify the VGCCC in writing that a person is likely to become an 'associate' of the participant as soon as practicable after the participant becomes aware of the likelihood. Additionally, section 10.4A.7 requires a 'gambling industry participant' to ensure that a person does not become an 'associate' except with the prior written approval of the Commission.

Section 9

Glossary

GLOSSARY continued

| Term | Meaning |
|---------------------------------------|---|
| 1H/2H | half year ended 31 December/30 June of the relevant financial year. |
| 1Q/2Q/3Q/4Q | 3 months ended 30 September/31 December/31 March/30 June of the relevant financial year. |
| 3S | optimisation program – Simpler, Smarter and Stronger. |
| \$ or A\$ | Australian dollars. |
| \$bn | billion Australian dollars. |
| \$m | million Australian dollars. |
| AAS | Australian Accounting Standards issued by the Australian Accounting Standards Board. |
| AASB | Australian Accounting Standards Board. |
| ABN | Australian Business Number. |
| ACCC | the Australian Competition and Consumer Commission. |
| ACMA | the Australian Communications and Media Authority. |
| ACT | Australian Capital Territory. |
| ACT Keno Online | Tabcorp Group's online Keno offering, operated under the ACT Approval to Conduct Keno. |
| Aggregate Substantial Interest | acquisitions of shares and voting power in a company of 40% or more by two or more unassociated foreign persons and their associates. |
| AICD | Australian Institute of Company Directors. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ABN 98 008 624 691), or the financial market operated by it as the context requires. |
| ASX Listing Rules | the official Listing Rules of the ASX. |
| ASX Recommendations | the fourth edition of the Corporate Governance Principles and Recommendations developed by the ASX Corporate Governance Council. |
| ATO | Australian Taxation Office. |
| B2B | business-to-business. |
| Business Day | has the meaning given in the ASX Listing Rules. |
| CAGR | compound annual growth rate. |
| Capex | capital expenditure excluding the acquisition of licences, unallocated items, make good provisions raised during the period and additions to right-of-use assets. |
| Capital Reduction | the reduction in the capital of Tabcorp by the Capital Reduction Amount to be applied equally against each Tabcorp Share on issue as at the Record Date in accordance with the terms of the Capital Reduction Resolution. |

| Term | Meaning |
|-------------------------------------|---|
| Capital Reduction Amount | the amount of the capital of Tabcorp that is to be reduced in accordance with the Capital Reduction Resolution, calculated as follows: $A = (B / (B + C)) \times D$ where: A = Capital Reduction Amount; B = The Lottery Corporation Market Value; C = Tabcorp Market Value; and D = Tabcorp Share Capital Amount. |
| Capital Reduction Resolution | an ordinary resolution of Tabcorp Shareholders relating to the reduction of capital in Tabcorp and in the form set out in Annexure E – Notices of Meeting. |
| Cash Betting | betting using cash as the payment method. |
| Cash flows | net operating cash flows: <ul style="list-style-type: none"> after investing cash flows, before financing costs and tax (FY19, FY20, 1H21); and after investing cash flows, after financing costs and tax (FY21, 1H22). |
| CEO | Chief Executive Officer. |
| CGT | Australian capital gains tax. |
| CHESS | Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act. |
| CKH or ClubKeno Holdings | ClubKeno Holdings Pty Ltd (ACN 002 821 570). |
| Commissioner | the Australian Commissioner of Taxation. |
| Corporate Bookmaker | company that offers fixed odds betting and tote derivative products through telephone and online nationally under a Northern Territory sports bookmaker licence. |
| Corporate Restructure | the restructure steps set out in the Restructure Agreement. |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |
| Court | the Supreme Court of New South Wales. |
| CY | calendar year. |
| Deed Poll | the deed poll in favour of Tabcorp Shareholders, in the form set out in Annexure D – Deed Poll (subject to any amendments permitted by its terms), under which The Lottery Corporation undertakes to take the steps required to be taken by it for implementation of the Demerger. |
| Demerger | the proposed demerger of The Lottery Corporation from Tabcorp, to be implemented through: <ul style="list-style-type: none"> the Corporate Restructure; the Scheme, Capital Reduction and Dividend; and The Lottery Corporation Listing. |
| Demerger Booklet | this booklet. |

GLOSSARY continued

| Term | Meaning |
|--|--|
| Demerger Entitlement | the entitlement of each Tabcorp Shareholder to The Lottery Corporation Shares under the Demerger, being in relation to a Tabcorp Shareholder, one The Lottery Corporation Share for each Tabcorp Share held by that Tabcorp Shareholder as at the Record Date. |
| Demerger Principles | the fundamental principles governing the Demerger outlined in Section 7.7.4 in respect of: <ul style="list-style-type: none"> • risk and benefit allocation; • profit and loss allocation; and • separation and mutual release of rights and obligations, between Tabcorp and The Lottery Corporation. |
| Demerger Resolutions | the Capital Reduction Resolution and the Scheme Resolution. |
| Demerger Tax Relief | demerger tax relief under Division 125 of the <i>Income Tax Assessment Act 1997</i> (Cth) which has been sought in relation to the Demerger. |
| Distribution Amount | the VWAP of The Lottery Corporation Shares on the ASX, whether on a deferred or normal settlement basis, over the first five Trading Days after the Effective Date, multiplied by the number of Tabcorp Shares on issue at the Record Date. |
| Dividend | the dividend to be declared and paid on each Tabcorp Share as part of the Scheme, being equal to the Dividend Amount divided by the number of Tabcorp Shares on issue at the Record Date. |
| Dividend Amount | the Distribution Amount less the total Capital Reduction Amount. |
| DJSI | Dow Jones Sustainability Index. |
| Draw Lottery Permit | the Foreign Games Permit granted to Tattersall's Sweeps Pty Ltd (ACN 081 925 662) under the <i>Gaming Control Act 1993</i> (TAS) on 12 June 2020. |
| DRP | dividend reinvestment plan. |
| EBIT | earnings from continuing operations before net finance and income tax expenses. |
| EBIT, excluding significant items | EBIT excluding items that are not considered integral to the ongoing performance of the segment. |
| EBITDA | earnings from continuing operations before net finance, income tax, and depreciation, amortisation, and impairment expenses. |
| EBITDA, excluding significant items | EBITDA excluding items that are not considered integral to the ongoing performance of the segment. |
| Effective | the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme. |
| Effective Date | the date on which the Scheme becomes Effective. |
| EGM | electronic gaming machine. |
| Eligible Shareholder | a Tabcorp Shareholder whose registered address on the Tabcorp Share Register as at the Record Date is in: <ul style="list-style-type: none"> • Australia, New Zealand, Canada, Hong Kong, Singapore, the United Kingdom or the United States; or • any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation Shares to a Tabcorp Shareholder with a registered address in such jurisdiction. |

| Term | Meaning |
|---|--|
| ELT | Executive Leadership Team. |
| ESG | environmental, social and corporate governance. |
| FATA | <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth). |
| Financial Information | collectively refers to the Tabcorp Historical Financial Information, the New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information. |
| First Court Hearing | the day on which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme, being 30 March 2022. |
| Fixed Odds | type of bet where the price received for the bet is fixed at the time the bet is placed. |
| FSMA | <i>Financial Services and Markets Act 2000</i> (UK), as amended. |
| Full-Service Outlet | lottery outlet that distributes the full suite of lottery products. |
| FY | financial year. |
| Gaming Services | the Tabcorp Group's business that provides services to licensed gaming venues and electronic gaming machine monitoring services. |
| General Meeting | the general meeting of Tabcorp Shareholders convened to consider the Capital Reduction Resolution to be held at 10:00am (Sydney time) on 12 May 2022. |
| Generosities | wagering promotions and offers offered to customers. |
| GESP | General Employee Share Plan. |
| Golden Casket | Golden Casket Lottery Corporation Ltd (ACN 078 785 449). |
| Group | Tabcorp and its subsidiaries from time to time, including The Lottery Corporation Group in respect of the period before the Implementation Date. |
| HIN | Holder Identification Number. |
| IFRS | International Financial Reporting Standards issued by the International Accounting Standards Board. |
| Implementation Date | Wednesday, 1 June 2022 or such other date as determined by Tabcorp. |
| Implementation Deed | the deed between New Tabcorp and The Lottery Corporation under which each party undertakes specified obligations to give effect to the Demerger, a summary of which is set out in Section 7.7.2. |
| Independent Expert | Grant Samuel & Associates Pty Limited. |
| Independent Expert's Report | the report of the Independent Expert. |
| Independent Limited Assurance Report | the independent limited assurance report of the Investigating Accountant on the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information presented in this Demerger Booklet, as set out in Annexure B – Independent Limited Assurance Report. |
| Industry Change | change to the Australian wagering and gaming industry, including simplification and harmonisation of licences, industry funding, regulatory approval regimes and supporting industry integrity. |

GLOSSARY continued

| Term | Meaning |
|--|--|
| Ineligible Overseas Shareholder | a Tabcorp Shareholder who as at the Record Date is not an Eligible Shareholder. |
| Instant-Only Outlet | lottery outlet that only distributes Instant Scratch-Its products. |
| Investigating Accountant | Ernst & Young Strategy and Transactions Limited. |
| Jumbo | Jumbo Interactive Limited. |
| Keno | a game of chance that is played approximately every three minutes and part of the Tabcorp Group's Lotteries and Keno business. |
| Keno (Qld) Pty Ltd | Keno (Qld) Pty Ltd (ACN 071 366 446). |
| Licensed Lottery Operator Agreement | the agreement between Golden Casket Lottery Corporation Limited (ACN 078 785 449), Queensland Lottery Corporation Pty Ltd (ACN 124 921 311) and Tatts Group Limited (ACN 108 686 040) dated 29 June 2007. |
| Listing | the listing of The Lottery Corporation on the ASX. |
| Lotteries and Keno | the Tabcorp Group's business that operates Lotteries and Keno, which are games of chance. |
| Lotteries turnover | represents lotteries tickets sales to customers. |
| LTPP | Long Term Performance Plan. |
| M&A | mergers and acquisitions. |
| MAX | the Tabcorp Group's Gaming Services brand. |
| MD | Managing Director. |
| Meetings | the General Meeting and the Scheme Meeting. |
| MIS | MAX Integrated Systems. |
| MLB | Major League Baseball. |
| MPS | MAX Performance Solutions. |
| MRS | MAX Regulatory Services. |
| MTS | MAX Technical Services. |
| National Game | lottery game that is collectively operated under a contractual relationship between lottery operators nationally. |
| NBA | National Basketball Association. |
| Net Debt | total loans and borrowings and bank overdrafts (including lease liabilities, excluding fair value accounting impacts on USPP notes), less cash and cash equivalents that are not significantly restricted. |
| Net Debt to EBITDA | leverage metric calculated by taking Net Debt at a specific date divided by the trailing 12-month EBITDA excluding impairment and significant items. |
| New Tabcorp or New Tabcorp Group | Tabcorp Holdings Limited (ACN 66 063 780 709) and/or its subsidiaries following the Demerger, as the context requires. |
| New Tabcorp Facility | has the meaning given to that term in Section 4.11.11. |

| Term | Meaning |
|---|--|
| New Tabcorp Pro Forma Historical Financial Information | comprises: <ul style="list-style-type: none"> • New Tabcorp pro forma historical income statements for FY19, FY20, FY21, 1H21 and 1H22; • New Tabcorp pro forma historical balance sheet as at 31 December 2021; and • New Tabcorp pro forma historical cash flows for FY19, FY20, FY21, 1H21 and 1H22. |
| New Tabcorp Share | a fully paid ordinary share in the capital of Tabcorp following the Demerger. |
| NFL | National Football League. |
| Non-Executive Director | a member of a board of directors of a company who does not form part of the Executive Leadership Team. |
| Notices of Meeting | the notices of meeting set out in Annexure E – Notices of Meeting. |
| NPAT | net profit/(loss) after tax. |
| NPAT, excluding significant items | NPAT excluding items that are not considered integral to the ongoing performance of the segment. |
| NSW Lotteries | New South Wales Lotteries Corporation Pty Ltd (ACN 410 374 474). |
| NSW Totalizator Act | <i>the Totalizator Act 1997</i> (NSW). |
| NT Gaming Control Act | <i>the Gaming Control Act 1993</i> (NT). |
| NT Racing Minister | Minister for Racing, Gaming and Licensing in the Northern Territory. |
| OAIC | the Office of the Australian Information Commissioner. |
| Official List | the official list of the ASX. |
| Organisation | Tabcorp, The Lottery Corporation and their respective share registries. |
| pcp | prior corresponding period. |
| PGI | Premier Gateway International Limited. |
| Plan | The Lottery Corporation Equity Incentive Plan. |
| POCT | the point of consumption wagering and betting tax. |
| Policy | the Australian Government's Foreign Investment Policy. |
| Proxy Form | the proxy form for the General Meeting and the Scheme Meeting. |
| Queensland Keno Agreement | the 'Third Amended and Restated Keno Agreement' between the State of Queensland, Tabcorp Gaming Holdings Pty Ltd (ACN 136 582 806) and Keno (Qld) Pty Ltd (ACN 071 366 446) dated 22 October 2017. |
| Record Date | 7:00pm (Sydney time) on Wednesday, 25 May 2022. |
| Restricted Shares | The Lottery Corporation Shares that will vest subject to the satisfaction of a continued service condition. |
| Restructure Agreement | the agreement between Tabcorp and The Lottery Corporation dealing with certain corporate restructuring steps, a summary of which is set out in Section 7.7.1. |
| Retention Plan | the Tabcorp retention plan described in Section 5.7. |
| ROIC | return on invested capital. Defined as EBIT before significant items divided by the average invested capital base. |

GLOSSARY continued

| Term | Meaning |
|-------------------------------|---|
| RQ | Racing Queensland. |
| RTSR or Relative TSR | relative total shareholder return. The return to shareholders (comprising capital returns, dividends and share price movements over the performance period) relative to a peer group of companies. |
| S&P/ASX 50/100/200 | S&P Dow Jones index of the largest 50/100/200 index eligible stocks on the ASX. |
| SALC | Lotteries Commission of South Australia. |
| Sale Agent | the nominee appointed by Tabcorp to sell or facilitate the transfer of The Lottery Corporation Shares or Tabcorp Shares (as applicable) attributable to Ineligible Overseas Shareholders and Selling Shareholders in accordance with the Sale Facilities. |
| Sale Facilities | the facilities to be established by Tabcorp under which The Lottery Corporation Shares and/or Tabcorp Shares may be sold, as the context requires, and as described more fully in Section 5.6. |
| Sale Facility Form | the sale facility form which accompanies this Demerger Booklet or such other form as Tabcorp may permit or agree to in connection with the sale of Tabcorp Shares and The Lottery Corporation Shares under the Sale Facilities, including an online sale election submitted at www.tabcorp.com.au/investors/demerger . |
| Scheme | the scheme of arrangement under part 5.1 of the Corporations Act between Tabcorp and the Tabcorp Shareholders as described in this Demerger Booklet and as set out in Annexure C – Scheme, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act. |
| Scheme Meeting | the meeting of Tabcorp Shareholders ordered by the Court to be held at 10:30am (Sydney time) on 12 May 2022 or as soon after that time as the General Meeting has concluded or been adjourned, to consider the Scheme Resolution. |
| Scheme Resolution | the resolution to approve the Scheme to be considered by Tabcorp Shareholders at the Scheme Meeting set out in the Notices of Meeting. |
| Second Court Hearing | the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme. |
| Section | a section of this Demerger Booklet. |
| Segment EBIT | for a business segment, EBIT, excluding significant items, other (transferred) net income or costs, net additional standalone operating costs and derecognised intangible asset amortisation adjustment. |
| Segment EBITDA | for a business segment, EBITDA, excluding significant items, other (transferred) net income or costs and net additional standalone operating costs. |
| Selling Shareholder | a Small Shareholder who elects to have sold using the Sale Facilities: <ul style="list-style-type: none"> all The Lottery Corporation Shares that they would otherwise receive under the Scheme; and/or all Tabcorp Shares that they would otherwise hold following the Demerger. |
| Separation Deed | the deed between Tabcorp and The Lottery Corporation dealing with certain commercial, transitional and legal issues arising in connection with the legal and economic demerger of The Lottery Corporation from Tabcorp, a summary of which is set out in Section 7.7.4. |
| SFA | <i>Securities and Futures Act, Cap. 289</i> (Singapore). |

| Term | Meaning |
|---|---|
| Shareholder Information Line | the information line set up for the purpose of answering enquiries from Tabcorp Shareholders in relation to the Demerger. The information line numbers are 1800 550 560 (within Australia) or +61 1800 550 560 (international) and the hours of operation are weekdays between 8:00am and 7:30pm (Sydney time). |
| Significant items | certain, material non-recurring income received or expenses incurred which are not considered integral to the ongoing performance of the segment. |
| Significantly restricted cash | cash under various licences which have regulatory requirements in place that restrict the Group's use of the cash. See note C6(a) (Significant restrictions) to the financial statements in the Tabcorp Group's FY21 annual report. |
| Sky | the Tabcorp Group's Media business, broadcasting racing and sport throughout Australia and internationally. |
| Small Shareholder | an Eligible Shareholder who: <ul style="list-style-type: none"> holds 500 Tabcorp Shares or less as at the Record Date and therefore may elect to have all The Lottery Corporation Shares that they would otherwise receive under the Scheme sold using the Sale Facilities; and/or holds 2,000 Tabcorp Shares or less as at the Record Date and therefore may elect to have all Tabcorp Shares that they would otherwise hold following the Demerger sold using the Sale Facilities. |
| SRN | Securityholder Reference Number. |
| SRW | Sky Racing World LLC. |
| STPP | Short Term Performance Plan. |
| Subsidiary | has the meaning given in the Corporations Act. |
| Substantial Interest | acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates. |
| TAB Limited | TAB Limited (ACN 081 765 308). |
| Tabcorp | Tabcorp Holdings Limited (ACN 063 780 709). |
| Tabcorp Board | the board of directors of Tabcorp. |
| Tabcorp Director | a director of Tabcorp. |
| Tabcorp Group | Tabcorp, together with its Subsidiaries, following the Demerger. |
| Tabcorp Historical Financial Information | comprises: <ul style="list-style-type: none"> Tabcorp historical income statements for FY19, FY20, FY21, 1H21 and 1H22; Tabcorp historical balance sheet as at 31 December 2021; and Tabcorp historical cash flows for FY19, FY20, FY21, 1H21 and 1H22. |
| Tabcorp Market Value | the VWAP of Tabcorp Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of Tabcorp Shares on issue on the Record Date. |
| Tabcorp Share | a fully paid ordinary share in the capital of Tabcorp. |
| Tabcorp Share Capital Amount | the balance in the Tabcorp share capital account immediately prior to the Implementation Date. |
| Tabcorp Share Register | the register of Tabcorp Shareholders maintained under section 169 of the Corporations Act. |

GLOSSARY continued

| Term | Meaning |
|---|--|
| Tabcorp Share Registry | Link Market Services Limited (ACN 083 214 537). |
| Tabcorp Shareholder | a registered holder of Tabcorp Shares. |
| Tasmanian Gaming Control Act | <i>the Gaming Control Act 1993</i> (TAS). |
| Tatts Group | Tatts Group Limited (ACN 108 686 040). |
| Tatts NT Lotteries | Tatts NT Lotteries Pty Ltd (ACN 146 244 984). |
| Tatts SA | Tatts Lotteries SA Pty Ltd (ACN 146 245 007). |
| Tatts Sweeps | Tattersall's Sweeps Pty Ltd (ACN 081 925 662). |
| TFN | Australian Tax File Number. |
| The Lott | umbrella brand for the entire Lotteries business. |
| The Lottery Corporation or The Lottery Corporation Group or TLC | The Lottery Corporation Limited (ACN 081 925 706) and/or its Subsidiaries following the Demerger, as the context requires. |
| The Lottery Corporation Board | the board of directors of The Lottery Corporation immediately following the Effective Date, or from time to time following the Effective Date, as the context requires. |
| The Lottery Corporation Constitution | the constitution of The Lottery Corporation, with effect from The Lottery Corporation Listing. |
| The Lottery Corporation Director | a director of The Lottery Corporation immediately following the Effective Date, or from time to time following the Effective Date, as the context requires. |
| The Lottery Corporation Facility | has the meaning given to that term in Section 3.13.9. |
| The Lottery Corporation Listing | the listing of The Lottery Corporation on the ASX. |
| The Lottery Corporation Market Value | the VWAP of The Lottery Corporation Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of The Lottery Corporation Shares transferred to Tabcorp Shareholders under the Demerger (which will equal the number of Tabcorp Shares on issue on the Record Date). |
| The Lottery Corporation Pro Forma Historical Financial Information | comprises: <ul style="list-style-type: none"> • The Lottery Corporation pro forma historical income statements for FY19, FY20, FY21, 1H21 and 1H22; • The Lottery Corporation pro forma historical balance sheet as at 31 December 2021; and • The Lottery Corporation pro forma historical cash flows for FY19, FY20, FY21, 1H21 and 1H22. |
| The Lottery Corporation Share | a fully paid ordinary share in the capital of The Lottery Corporation. |
| The Lottery Corporation Share Register | the register of The Lottery Corporation Shareholders maintained under section 169 of the Corporations Act. |

| Term | Meaning |
|--|---|
| The Lottery Corporation Shareholder | a holder of a The Lottery Corporation Share. |
| Timetable | the timetable set out in the section outlining Key dates for Tabcorp Shareholders. |
| TLGC | Tasmanian Liquor and Gaming Commission. |
| TOFA | Taxation of financial arrangements. |
| Totalisator/Tote | type of bet that is pooled together with other bets on the same event, with the price received depending on the pool. Also referred to as parimutuel. |
| Trading Day | has the meaning given in the ASX Listing Rules. |
| TSA | the Transitional Services Agreement between Tabcorp and The Lottery Corporation as described in Section 7.7.5. |
| TSR or Total Shareholder Return | the change in share value over a period of time, assuming that all dividends are reinvested as received. |
| UBET | UBET Qld Limited. |
| USPP notes | US private placement notes. |
| VGCCC | the Victorian Gambling and Casino Control Commission. |
| VWAP | the volume weighted average price of the relevant shares traded on the ASX during the relevant period except for trades otherwise than in the ordinary course of trading. |
| Wagering and Media | the Tabcorp Group's business that operates fixed odds and tote betting products and services on racing, sport and novelty products, and racing and sports broadcasting. |
| Wagering turnover | represents wagers or bets placed by customers. |
| Working capital | represents trade and other receivables, prepayments less trade and other payables and provisions. |



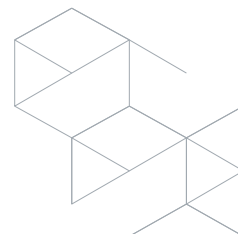
Annexure A

Independent Expert's Report



INDEPENDENT EXPERT'S REPORT

GRANT SAMUEL



30 March 2022

The Directors
Tabcorp Holdings Limited
Level 21
Tower 2, Collins Square
727 Collins Street
Melbourne VIC 3008

Dear Directors

Demerger of The Lottery Corporation Limited

1 Introduction

On 5 July 2021, Tabcorp Holdings Limited ("Tabcorp") announced the intention to undertake a demerger of its Lotteries & Keno business ("Demerger"). The Demerger will create two standalone companies listed on the Australian Securities Exchange ("ASX"):

- The Lottery Corporation Limited ("The Lottery Corporation"), comprising Tabcorp's Lotteries & Keno business, which will be Australia's leading lottery operator; and
- Tabcorp's Wagering & Media and Gaming Services businesses (referred to as "New Tabcorp"), which will operate TAB, a leading omni-channel wagering operator in Australia, Sky, a multi-venue, multi-channel racing and sports broadcaster, established international businesses in the United States and Europe and MAX, Australia's largest gaming services provider.

The decision to pursue the Demerger followed a strategic review of all relevant structural and ownership options to maximise value for shareholders, which was announced on 29 March 2021. The structural and ownership options that were assessed and evaluated included a demerger, a sale of one or more of Tabcorp's businesses and retention of the status quo.

To facilitate the Demerger, an internal restructure will be undertaken to establish The Lottery Corporation as a standalone entity. In particular, it is intended that there will be a number of share and asset transfers and other commercial arrangements implemented to establish The Lottery Corporation as the owner of The Lottery Corporation group's businesses, settlement of all intercompany loans and the establishment of standalone debt facilities by The Lottery Corporation.

The Demerger is to be effected by a scheme of arrangement between Tabcorp and its shareholders, a reduction of Tabcorp's share capital and a demerger dividend. The following steps are required to implement the Demerger:

- Tabcorp will reduce its share capital by an amount calculated by reference to the market values of The Lottery Corporation and Tabcorp immediately after implementation of the Demerger;
- the capital reduction and demerger dividend will be applied on behalf of Tabcorp shareholders as payment for The Lottery Corporation shares; and
- an application will be made for The Lottery Corporation to be separately listed on the ASX.

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The effect of the Demerger is that Tabcorp shareholders (other than ineligible overseas shareholders and selling shareholders)¹ will receive one share in The Lottery Corporation for each Tabcorp share held, while also retaining their Tabcorp shares. Tabcorp will continue to hold the Wagering & Media and Gaming Services businesses and will remain listed on the ASX.

The Demerger requires Tabcorp shareholders to approve resolutions in relation to a members scheme of arrangement and the capital reduction. The capital reduction is conditional on the scheme becoming effective.

The Tabcorp Board has unanimously recommended that shareholders vote in favour of the Demerger. Each Tabcorp director who holds or controls Tabcorp shares intends to vote in favour of the Demerger.

The directors of Tabcorp have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion:

- the Demerger is in the best interests of Tabcorp shareholders and to state reasons for that opinion; and
- the capital reduction associated with the Demerger materially prejudices Tabcorp's ability to pay its creditors.

A copy of the report (including this letter) will accompany the Demerger Booklet to be sent to shareholders by Tabcorp. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Opinion

In Grant Samuel's opinion, the Demerger is in the best interests of Tabcorp shareholders.

3 Summary and Conclusions

Tabcorp has a long history of building businesses organically and through acquisition and expansion into new sectors to achieve its strategic goals and create value for shareholders. This approach is evidenced by changes to the group's structure over time, most recently, the transformational combination with Tatts completed in December 2017 and the subsequent integration of six complementary businesses into three leading business operations. The integration was substantially complete by June 2020 and delivered substantial EBITDA² synergies of \$95 million in FY21³ (approximately 8.5% of FY21 EBITDA), despite being hampered by the COVID-19 pandemic.

¹ Ineligible overseas shareholders are Tabcorp shareholders other than those with registered addresses in Australia, New Zealand, Canada, Hong Kong, Singapore, the United Kingdom or the United States or any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation shares to Tabcorp shareholders with a registered address in such jurisdiction.

Selling shareholders are:

- Tabcorp shareholders who hold 500 or less Tabcorp shares on the Demerger record date who elect to have all of The Lottery Corporation shares that they would otherwise receive under the scheme sold on the ASX via the sale facilities; and/or
- Tabcorp shareholders who hold 2,000 or less Tabcorp shares on the Demerger record date who elect to have all of those Tabcorp shares that they would otherwise hold following the Demerger sold on the ASX via the sale facilities.

Ineligible overseas shareholders and selling shareholders (who make an election in relation to The Lottery Corporation shares that they would otherwise be entitled to receive) will not receive The Lottery Corporation shares. Such shareholders will receive in cash the proceeds (on an averaged basis) from the sale on the ASX of The Lottery Corporation shares to which they would otherwise have been entitled free of any brokerage costs or stamp duty but after deducting any applicable withholding tax. Selling shareholders who make an election in relation to the Tabcorp shares that they would otherwise hold following the Demerger will also receive in cash the proceeds (on an averaged basis) from the sale on the ASX of those Tabcorp shares free of any brokerage costs or stamp duty but after deducting any applicable withholding tax.

² EBITDA is earnings before net finance costs, tax, depreciation, amortisation and impairment and significant items.

³ FY21 is the year ended 30 June 2021.



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However, Tabcorp's Lotteries and Wagering businesses have very different business characteristics, financial profiles and growth strategies and operate in very different regulatory and competitive environments. The Demerger is the next step in the evolution of Tabcorp.

Following the receipt of several unsolicited approaches and proposals in relation to a potential transaction involving Tabcorp's Wagering & Media business (and in the case of one bidder, its Gaming Services business) Tabcorp announced in March 2021 that it would undertake a strategic review of all relevant structural and ownership options to maximise the value of Tabcorp's businesses for the benefit of all shareholders.

The primary advantage of the Demerger is its attraction relative to the other structural and ownership alternatives assessed and evaluated such as retention of the status quo and divestment of Tabcorp's Wagering & Media and Gaming Services businesses:

- the status quo has its attractions in terms of diversification and scale. However, the sharemarket seems unlikely to recognise the full value of the Lotteries & Keno business while it remains part of a broader gambling entertainment group (given that the challenges facing the Wagering & Media and Gaming Services businesses "taint" the group's overall market rating); and
- a divestment of Tabcorp's Wagering & Media and Gaming Services businesses would be complex, protracted and disruptive and there would be no certainty of success. Any divestment of the Wagering & Media business would require a number of legislative, regulatory, racing industry, competition and other third party approvals. Importantly, the process would be expected to take an extended period of time and the outcome would not be within Tabcorp's control. A failed divestment process could have an adverse impact on the Wagering & Media and Gaming Services businesses. A divestment would also potentially crystallise a capital gains tax liability for Tabcorp.

In contrast, the Demerger:

- can be implemented in a more timely manner and with a higher degree of certainty (i.e. fewer approvals are required);
- enables Tabcorp shareholders to retain their economic interests in all the businesses and potentially capture the upside from any growth opportunities, including the potential for industry change to create a more sustainable Australian wagering and gaming industry. At the same time, they have the ability to change their exposures between the two demerged entities;
- provides Tabcorp shareholders with The Lottery Corporation shares that have the potential to trade at a value reflecting its inherent characteristics;
- options such as the potential sale of either business (e.g. through a takeover offer) are preserved, if not enhanced; and
- is expected to provide Tabcorp shareholders with demerger tax relief, enabling them to defer any tax payable until the sale of their The Lottery Corporation shares.

Ultimately, the Tabcorp Board preferred the Demerger on the basis that it represented the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp shareholders.

The Demerger is definitionally fair as shareholders (except ineligible overseas shareholders and selling shareholders) will hold exactly the same underlying economic interests in the business before and after the Demerger is implemented. Evaluation of whether the Demerger is in the best interests of shareholders therefore involves subjective judgements about the benefits such as financial and strategic flexibility and management focus weighed against the risks, costs and other disadvantages of the Demerger, rather than analysis of quantifiable financial or other verifiable factors.

The key benefits from the Demerger include:

- enhancing the ability of the Lotteries & Keno business and the Wagering & Media and Gaming Services businesses to pursue their respective strategies and providing the flexibility to establish



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appropriate capital structures and financial policies for the Lotteries & Keno business and the Wagering & Media and Gaming Services businesses having regard to the operational and financial characteristics, strategic objectives and growth profile of each business:

- The Lottery Corporation will initially have a relatively highly leveraged capital structure with pro forma net borrowings at 31 December 2021 of \$2.2 billion and a gearing ratio⁴ of almost 100%. However, pro forma leverage (net borrowings)⁵ and interest cover⁶ are strong at 3.3 times (below the low end of the target range of 3.5-4.0 times) and 6.5 times respectively.

The strength of The Lottery Corporation's credit profile, including its lower capital intensity and track record of stable, consistent cash flows through economic cycles should provide support for this more highly leveraged capital structure as well as the capacity to increase leverage (given it will initially have total debt facilities of \$2.9 billion). This flexibility should enhance The Lottery Corporation's ability to pursue strategic opportunities (e.g. acquisitions); and

- New Tabcorp will have a very different financial profile to both Tabcorp and The Lottery Corporation. It will have total debt facilities of \$950 million, minimal gearing (pro forma net borrowings at 31 December 2021 of \$172 million and gearing of 5.6%) and conservative leverage and interest cover ratios of 0.7 times (below its target range of 1.0-1.5 times) and 11.3 times respectively.

The smaller size of New Tabcorp's facilities (relative to The Lottery Corporation and Tabcorp) largely reflects its size and different risk profile. However, it will benefit from an effective increase in its available debt facilities, subject to continuing to meet financial covenants given it will no longer provide funding to The Lottery Corporation. This balance sheet capacity will support New Tabcorp's dividend payments and provides New Tabcorp with flexibility in executing its strategic priorities, in particular, investing in innovation and growth (including in other markets, adjacent products and new technologies);

- greater board and executive leadership team focus on each company's strategic objectives and priorities, enabling decision making appropriate to the risk/return profile of each business and specific operational and regulatory issues to be addressed in a timely manner;
- enhanced ability to provide targeted executive leadership team incentives that are directly related to the business under the respective team's control;
- flexibility for shareholders to choose their level of exposure to the Lotteries & Keno business (i.e. The Lottery Corporation) and the Wagering & Media and Gaming Services businesses (i.e. New Tabcorp) as they see fit. Tabcorp shareholders will be able to make their own investment decisions in accordance with their investment, diversification and risk appetites (including from an environmental, social and governance ("ESG") and socially responsible investment perspective), rather than being obliged to accept the business investment portfolio as defined by Tabcorp's current structure;
- enhancing the prospect of a change of control transaction involving The Lottery Corporation and/or New Tabcorp (subject to required legislative, regulatory and, for New Tabcorp, racing industry approvals), thereby improving shareholders' ability to achieve full underlying value for those businesses; and
- potentially achieving an increase in the aggregate sharemarket valuation of The Lottery Corporation and New Tabcorp compared to Tabcorp. Value analysis of the two entities is inherently uncertain.

⁴ Gearing is net borrowings including lease liabilities divided by net assets plus net borrowings.

⁵ Leverage (net borrowings) is net borrowings including lease liabilities, excluding fair value accounting impacts on US private placement notes and excluding restricted cash divided by EBITDA for the previous 12 months.

⁶ Interest cover is earnings before net finance costs and tax ("EBIT") divided by net finance costs. For the purposes of calculating interest cover, EBIT excludes amortisation of the Victorian wagering and bettering licence.



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However, if The Lottery Corporation was to trade at 18-19 times pro forma FY21 EBITDA⁷, the current Tabcorp share price of around \$5.00 effectively attributes an enterprise value of \$2.1-2.7 billion to New Tabcorp. The likely market price for New Tabcorp will depend on a range of factors, but \$2.1-2.7 billion does seem low taking into account New Tabcorp's pro forma net assets at 31 December 2021 of \$2.9 billion, the non-binding, indicative proposals received by Tabcorp for its Wagering & Media business (and, in one case, its Gaming Services business) of \$3.5-4.0 billion (even allowing for a premium for control) and the implied pro forma FY21 EBITDA multiples of 4.5-5.8 times (relative to the trading multiples of other listed wagering and gaming businesses and taking into account New Tabcorp's specific attributes). This analysis indicates that there does seem to be some value upside potential immediately following implementation of the Demerger.

These benefits are not individually compelling but, together they are meaningful. Several of these benefits would only be expected to be manifested over the medium to longer term.

At the same time, there are a number of disadvantages and costs arising from the Demerger, many of which result from the smaller size and less diversified nature of the demerged companies (particularly New Tabcorp):

- although both will be substantial businesses, the impact of any significant adverse events (e.g. the COVID-19 pandemic) will have a greater relative impact (although The Lottery Corporation is less likely to be impacted given its track record of stable and predictable cash flows and its annuity-like characteristics). At the same time, The Lottery Corporation and New Tabcorp will both be substantial businesses and financial leverage is manageable (and in the case of New Tabcorp, conservative);
- the smaller size of the two separate entities should, other things being equal, lead to higher borrowing costs (in terms of margins). However, Tabcorp has advised that the margins for the new facilities being entered into as part of the Demerger are broadly in line with current Tabcorp margins. Furthermore, the key financial covenants of the new facilities are the same as those that apply to Tabcorp's facilities (leverage and interest cover) and the ratio limits applicable to the facilities are:
 - relative to the covenants that Tabcorp currently has in place, the same or slightly more favourable for The Lottery Corporation (and the same as the ratio limits that will apply to the US private placement notes) and the same or slightly less favourable for New Tabcorp; and
 - provide sufficient headroom and flexibility relative to the pro forma leverage (net borrowings) ratios for The Lottery Corporation and New Tabcorp;
- there are one-off costs associated with the Demerger and incremental ongoing costs to operate two separately listed companies:
 - one-off cash transaction and implementation costs are estimated to be approximately \$270 million (before tax), although \$76 million of these costs will have already been incurred (and \$57 million will have been paid) by the time that the Tabcorp shareholders' meeting to approve the Demerger is held; and
 - incremental corporate and operating cash costs are estimated at approximately \$32 million per annum (before tax) in aggregate, as well as potential ongoing incremental technology costs (albeit the quantum of these is uncertain and The Lottery Corporation and New Tabcorp currently anticipate that they will be able to offset part or all of the estimated ongoing incremental technology costs by cost reductions achieved through continuation of a form of the 3S program in both companies).

⁷ In Grant Samuel's view, a trading multiple of 18-19 times pro forma FY21 EBITDA for The Lottery Corporation is plausible and is supported by, among other factors, its highly attractive attributes, analyst estimates of its market rating and the trading multiples of other listed lotteries companies (see Section 6.5.6 of the full report for more details).

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Because The Lottery Corporation is being set up as a standalone listed company, the Demerger does entail some risks:

- transition and implementation risks associated with the separation of The Lottery Corporation from Tabcorp at a corporate services and infrastructure level (in particular, the technology separation); and
- the relationships between the new boards and executive leadership teams and the relationships within the boards themselves are untested. However, there is continuity and experience through the Tabcorp representatives on each of the boards and the experience of the CEOs.

While it is likely that, immediately following the Demerger, both The Lottery Corporation and New Tabcorp will have smaller market capitalisations and occupy lower positions in relevant indices, both are currently expected to qualify for inclusion in relevant indices (most importantly, the S&P/ASX 200 index). There may be some short term impacts (e.g. “new” demand for The Lottery Corporation shares from ESG investors (e.g. who want to invest in the lotteries sector but were deterred from investing in, or unable to invest in, Tabcorp because of its exposure to wagering and gaming) and because it will be the only significant pure listed lotteries business in Australia) but the net effect on overall demand is likely to be minimal.

These disadvantages, costs and risks of the Demerger cannot be disregarded. However, the disadvantages and risks are not outside the normal risks of any corporate restructuring transaction and/or have mitigating factors and the costs, while not immaterial would, in any event, be incurred in some form to execute alternative structural and ownership options (other than the status quo).

The critical question is whether shareholders are likely to realise greater value over time if the Demerger is implemented than if Tabcorp's current structure is maintained. The evaluation is essentially subjective. While the benefits are real, they are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. However, in Grant Samuel's view, the potential advantages of the Demerger outweigh the potential disadvantages, costs and risks. While implementation of the Demerger is not a guarantee of future performance, shareholders are ultimately likely to be better off if the Demerger proceeds.

4 Impact on Tabcorp's Ability to Pay its Creditors

In Grant Samuel's opinion, the capital reduction associated with the Demerger does not materially prejudice the ability of Tabcorp to pay its existing creditors.

In Grant Samuel's view, the critical issue is how the existing financial indebtedness of the group has been allocated between the two new entities and whether the allocation fairly balances and reflects the differences between the two entities or endangers the financial stability of either entity.

In the case of the Demerger:

- aggregated operating cash flows across the two entities is not materially changed;
- the vast majority of borrowings has been allocated to The Lottery Corporation, reflecting its relative size, strong cash flow generation (low capital intensity) and earnings/cash flow stability. The Lottery Corporation's pro forma financial leverage is manageable, if not conservative on some metrics and its pro forma leverage ratios are well within the covenants agreed with US private placement holders and the banks providing The Lottery Corporation's new debt facilities;
- while New Tabcorp is a more challenging business from a credit perspective given the rapidly changing environment in which it operates, its regulatory framework and racing industry arrangements, it had minimal drawn debt under its bank loan facility on a pro forma basis at 31 December 2021 and had very conservative leverage metrics (both absolutely and relative to Tabcorp) which were well within the covenants agreed with the banks providing New Tabcorp's new debt facilities;



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- both entities have committed medium term (and in the case of The Lottery Corporation, long term) debt facilities and sufficient unused capacity within those facilities as well as access to public equity markets if necessary (although there is absolutely no indication that this might be required); and
- the providers of the new bank loan facilities to New Tabcorp and The Lottery Corporation and the US private placement noteholders have made their own judgements as to the financial risk of each entity and are essentially “third party endorsements” suggesting that the financial gearing of each entity is sustainable and each entity has the financial capacity to pay its creditors.

In summary, the financial indebtedness appears to have been fairly allocated so that there is no obvious disadvantage to the creditors of either group. There are no “red flags” in terms of the overall financial health of either entity from a creditor’s perspective.

5 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Tabcorp shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Demerger Booklet issued by Tabcorp in relation to the Demerger.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Demerger, the responsibility for which lies with the directors of Tabcorp. In any event, the decision whether to vote for or against the Demerger is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Tabcorp, New Tabcorp or The Lottery Corporation. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Demerger. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the *Corporations Act, 2001* (Cth). The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel’s opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED



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Tabcorp

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSED DEMERGER
OF THE LOTTERY CORPORATION LIMITED
BY TABCORP HOLDINGS LIMITED

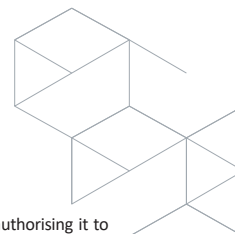
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30 MARCH 2022

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FINANCIAL SERVICES GUIDE



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"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Tabcorp or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Demerger.

Grant Samuel advises that it was retained by Tatts to prepare an independent expert's report on the combination of Tatts and Tabcorp dated 8 September 2017.

Grant Samuel had no part in the formulation of the Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$775,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

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1 Details of the Demerger

On 5 July 2021, Tabcorp Holdings Limited ("Tabcorp") announced the intention to undertake a demerger of its Lotteries & Keno business ("Demerger"). The Demerger will create two standalone companies listed on the Australian Securities Exchange ("ASX"):

- The Lottery Corporation Limited ("The Lottery Corporation"), comprising Tabcorp's Lotteries & Keno business, which will be Australia's leading lottery and Keno operator with lottery operations in all Australian States and Territories excluding Western Australia and the licensee of Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory; and
- Tabcorp's Wagering & Media and Gaming Services businesses (referred to in this report, where the context requires it, as "New Tabcorp"), which will operate:
 - TAB, a leading omni-channel wagering operator in Australia;
 - Sky, a multi-venue, multi-channel racing and sports broadcaster;
 - established international businesses in the United States and Europe; and
 - MAX, Australia's largest gaming services provider.

The decision to pursue the Demerger followed a strategic review of all relevant structural and ownership options to maximise value for shareholders, which was announced on 29 March 2021. The structural and ownership options that were assessed and evaluated included a demerger, a sale of one or more of Tabcorp's businesses and retention of the status quo.

As part of this process, Tabcorp engaged with a number of bidders for its Wagering & Media business and, in the case of one bidder, its Gaming Services business, from whom it had received unsolicited acquisition proposals, including:

- initial proposals received from Entain plc ("Entain") and Apollo Management on behalf of affiliated investment funds ("Apollo") in early 2021 that valued the Wagering & Media business at ~\$3 billion which the Tabcorp Board determined did not adequately value the Wagering & Media business (and led to the strategic review);
- a revised unsolicited, non-binding and indicative proposal from Entain in April 2021 to acquire the Wagering & Media business for \$3.5 billion;
- a revised unsolicited, non-binding and indicative proposal from Apollo in May 2021 to acquire the Wagering & Media and Gaming Services businesses for \$4 billion or, alternatively, the Wagering & Media business for \$3.5 billion; and
- an unsolicited, non-binding and conditional proposal from BetMakers Technology Group Ltd ("BetMakers") in May 2021 in relation to a possible acquisition of the Wagering & Media business for \$4 billion (comprising \$1 billion in cash and \$3 billion in new shares in BetMakers).

Over the course of the strategic review process, Tabcorp provided information and management presentations to Entain and Apollo on its Wagering & Media business and engaged with the bidders in relation to their proposed strategies for navigating the regulatory and other commercial approvals required. Tabcorp also discussed potential commercial opportunities in international markets with BetMakers.

Having assessed all relevant options to unlock value for shareholders, the Tabcorp Board concluded that the Demerger was "the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp's shareholders".



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To facilitate the Demerger, an internal restructure will be undertaken to separate and align the relevant businesses, assets and liabilities with the appropriate group. A number of steps have been, or will be, taken to establish The Lottery Corporation as a standalone entity. In particular, it is intended there will be:

- a number of share and asset transfers and other commercial arrangements implemented to establish The Lottery Corporation as the owner of The Lottery Corporation group's businesses. Agreements to enable these steps have been entered into and completion of the steps will occur before implementation of the Demerger;
- settlement of all intercompany loans between The Lottery Corporation (and its subsidiaries) and Tabcorp (and its subsidiaries);
- the establishment of standalone debt facilities by The Lottery Corporation; and
- revocation of the participation of The Lottery Corporation and its relevant subsidiaries in the deed of cross guarantee covering Tabcorp and certain of its subsidiaries. A revocation deed was lodged with the Australian Securities & Investments Commission ("ASIC") on 15 November 2021 and will take effect on 16 May 2022 (six months later)¹.

The Demerger is to be effected by a scheme of arrangement between Tabcorp and its shareholders, a reduction of Tabcorp's share capital and a demerger dividend. The following steps are required to implement the Demerger:

- Tabcorp will reduce its share capital by an amount calculated by reference to the market values of The Lottery Corporation and Tabcorp immediately after implementation of the Demerger;
- the capital reduction and demerger dividend (collectively referred to as the "distribution amount") will be applied on behalf of Tabcorp shareholders as payment for The Lottery Corporation shares; and
- an application will be made for The Lottery Corporation to be separately listed on the ASX.

The effect of the Demerger is that Tabcorp shareholders (other than ineligible overseas shareholders² and selling shareholders³) will receive one share in The Lottery Corporation for each Tabcorp share held, while also retaining their Tabcorp shares. Tabcorp will continue to hold the Wagering & Media and Gaming Services businesses and will remain listed on the ASX.

Ineligible overseas shareholders and selling shareholders (who make an election in relation to The Lottery Corporation shares that they would otherwise be entitled to receive) will not receive The Lottery Corporation shares. Such shareholders will receive in cash the proceeds (on an averaged basis) from the sale on the ASX of The Lottery Corporation shares to which they would otherwise have been entitled free of any brokerage costs or stamp duty but after deducting any applicable withholding tax. Selling shareholders who make an election in relation to the Tabcorp shares that they would otherwise hold following the Demerger will also receive in cash the proceeds (on an averaged basis) from the sale on the ASX of those Tabcorp shares free of any brokerage costs or stamp duty but after deducting any applicable withholding tax.

¹ Provided that no party to the Tabcorp deed of cross guarantee goes into liquidation during that six month period.

² Tabcorp shareholders other than those with registered addresses in Australia, New Zealand, Canada, Hong Kong, Singapore, the United Kingdom or the United States or any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation shares to Tabcorp shareholders with a registered address in such jurisdiction.

³ Selling shareholders are:

- Tabcorp shareholders who hold 500 or less Tabcorp shares on the Demerger record date who elect to have all of The Lottery Corporation shares that they would otherwise receive under the scheme sold on the ASX via the sale facilities; and/or
- Tabcorp shareholders who hold 2,000 or less Tabcorp shares on the Demerger record date who elect to have all of those Tabcorp shares that they would otherwise hold following the Demerger sold on the ASX via the sale facilities.



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The Demerger requires Tabcorp shareholders to approve the following resolutions:

- a members scheme of arrangement under Section 411 of the *Corporations Act, 2001* ("Corporations Act"). Under Section 411, a scheme of arrangement must be approved by a majority in number (i.e. more than 50%) of Tabcorp shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. The scheme of arrangement will then be subject to approval by the Supreme Court of New South Wales ("Court"); and
- an ordinary resolution to approve the capital reduction pursuant to Section 256C(1) of the Corporations Act. The capital reduction is conditional on the scheme becoming effective.

The Demerger is subject to a number of conditions that are set out in full in the Demerger Booklet sent to shareholders by Tabcorp and include:

- all regulatory approvals required for the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to Tabcorp); and
- the ASX approving the admission of The Lottery Corporation to the ASX Official List and granting permission for official quotation of The Lottery Corporation shares on the ASX.

If the Demerger is approved and implemented, Tabcorp and The Lottery Corporation will operate independently of each other apart from the following arrangements:

- a Transitional Services Agreement under which New Tabcorp will provide certain finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, customer screening, responsible gambling, transaction and fraud monitoring, information technology ("IT") and other services to The Lottery Corporation directly for an initial term of up to 14 months following implementation of the Demerger (with an option for The Lottery Corporation to extend the term of one or more transitional services for a further period of up to six months)⁴, during which The Lottery Corporation will replace these support functions and services with internal capabilities or with third party contracts and arrangements appropriate for it as a standalone entity. These services will be charged at cost and, subject to limited exceptions, are required to be provided to the same standard to which those services were supplied in the 12 months prior to the Demerger; and
- certain commercial arrangements related to the internal restructure. For example:
 - Tabcorp and The Lottery Corporation have entered into a Services Agreement under which New Tabcorp will provide technical and customer support services (including call centre services) to The Lottery Corporation in support of its Keno operations on a transitional basis;
 - New Tabcorp will continue to provide certain field services to The Lottery Corporation in support of its Lotteries & Keno operations under a three year commercial arrangement, extendable at The Lottery Corporation's option (e.g. MAX Technical Services, a division of Tabcorp's Gaming Services business, provides maintenance services in-house to Tabcorp and will continue to provide these services to The Lottery Corporation); and
 - one of The Lottery Corporation's major data centres is situated and is expected to continue to be situated on Tabcorp property in the short term. During this time, access to the data centre will be provided to The Lottery Corporation under a commercial arrangement.

The Tabcorp Board has unanimously recommended that shareholders vote in favour of the Demerger. Each Tabcorp director who holds or controls Tabcorp shares intends to vote in favour of the Demerger.

⁴ The term of the Transitional Services Agreement may also be extended in the event of a delay in separation.

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2 Scope of the Report

2.1 Purpose of the Report

The Demerger is subject to the approval of Tabcorp shareholders in accordance with:

- Section 256C of the Corporations Act ("Section 256C"); and
- Section 411 of the Corporations Act ("Section 411").

Section 256C governs reductions in capital. It requires the prior approval of shareholders before a capital reduction can be effected. Section 256C does not require an independent expert's report to be prepared.

Section 411 governs schemes of arrangement. It requires the prior approval of shareholders before a scheme of arrangement can be effected.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in these circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of Tabcorp have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Demerger is in the best interests of Tabcorp shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reduction associated with the Demerger materially prejudices Tabcorp's ability to pay its creditors. A copy of the report will accompany the Demerger Booklet to be sent to shareholders by Tabcorp.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Tabcorp shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Demerger Booklet issued by Tabcorp in relation to the Demerger.

Voting for or against the Demerger is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Tabcorp (pre or post the Demerger) or The Lottery Corporation. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Demerger. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. There is no legal definition of the expression "in the best interests".

The ASIC has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other



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transactions. In the context of control transactions (whether by takeover bid, scheme of arrangement, the issue of securities or selective capital reduction or buyback), the expert is required to distinguish between “fair” and “reasonable”. A proposal that was “fair and reasonable” or “not fair but reasonable” would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8).

For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether shareholders are likely to be better off if the proposal is implemented than if it is not. If the advantages outweigh the disadvantages, the proposal would be in the best interests of shareholders.

RG111 also states that where a demerger or demutualisation involves one or more of a change in the underlying economic interests of shareholders, a change of control or selective treatment of different shareholders, an expert might need to consider whether using the “fair” and “reasonable” tests is appropriate.

The Demerger is not a control transaction and there is no change in the underlying economic interests of shareholders. Accordingly, Grant Samuel has evaluated the Demerger by assessing the overall impact on Tabcorp shareholders and formed a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result. By definition, if the advantages outweigh the disadvantages, shareholders are likely to be better off if the Demerger is implemented than if it is not.

In forming its opinion as to whether the Demerger is in the best interests of Tabcorp shareholders, Grant Samuel has considered the following:

- the impact of the Demerger on the business operations of Tabcorp and The Lottery Corporation, including any strategic implications;
- the impact of the Demerger on earnings and dividends attributable to existing shareholders;
- the impact of the Demerger on the financial position and financial risk profile of the demerged entities;
- the likely impact of the Demerger on the market value of shareholders’ interests and the market for shares in Tabcorp and The Lottery Corporation generally;
- any other advantages and benefits arising from the Demerger; and
- the disadvantages, costs and risks of the Demerger.

In forming its opinion as to whether the capital reduction associated with the Demerger materially prejudices Tabcorp’s ability to pay its existing creditors, Grant Samuel has considered the following:

- the impact of the capital reduction on the credit metrics of New Tabcorp and The Lottery Corporation;
- the debt facilities available to New Tabcorp and The Lottery Corporation after the capital reduction; and
- the impact of the capital reduction on the financial position of New Tabcorp and The Lottery Corporation.



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2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Demerger Booklet (including earlier drafts);
- annual reports of Tabcorp for FY20⁵ and FY21;
- half year announcement of Tabcorp for 1HY22⁶;
- pro forma financial information for New Tabcorp and The Lottery Corporation for FY19, FY20, FY21, 1HY21⁷ and 1HY22;
- press releases, public announcements, media and analyst presentation material and other public filings by Tabcorp including information available on its website;
- brokers' reports and recent press articles on Tabcorp and the lotteries, wagering and gaming industries; and
- sharemarket data and related information on Australian and international listed companies engaged in the lotteries, wagering and gaming industries.

Non Public Information provided by Tabcorp

- selected presentations and Board papers regarding the Demerger;
- FY22 forecast for Tabcorp (by business and consolidated) prepared by Tabcorp management in September 2021 and FY22 reforecast prepared by Tabcorp management in January 2022 ; and
- other confidential documents and working papers.

In preparing this report, representatives of Grant Samuel held discussions with, and obtained information from, the executive leadership of Tabcorp and Tabcorp's advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Tabcorp. Grant Samuel has considered and relied upon this information. Tabcorp has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is at the date of this report, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the

⁵ FYXX is the year end 30 June 20XX (e.g. FY21 is the year ended 30 June 2021).

⁶ 1HY22 is the six months ended 31 December 2021.

⁷ 1HY21 is the six months ended 31 December 2020.

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extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Demerger is in the best interests of Tabcorp shareholders and whether the capital reduction associated with the Demerger materially prejudices Tabcorp's ability to pay its existing creditors. However, Grant Samuel does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate enquiries for the purposes of forming its opinions, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming opinions of the kind expressed in this report comprises the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the financial accounts or other records of Tabcorp, New Tabcorp or The Lottery Corporation. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma historical financial information for New Tabcorp and The Lottery Corporation:

- for FY19, FY20, FY21, 1HY21 and 1HY22 in relation to income and cash flow statements; and
- at 31 December 2021 in relation to balance sheets.

Tabcorp is responsible for this pro forma historical financial information. The pro forma historical financial information was subject to review by Ernst & Young Strategy and Transactions Limited. The Independent Accountant's Independent Limited Assurance Report is set out as Annexure B to the Demerger Booklet. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the pro forma historical financial information on New Tabcorp and The Lottery Corporation as presented in the Demerger Booklet has been prepared on a reasonable basis.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Tabcorp and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Demerger are accurate and complete;
- the information set out in the Demerger Booklet sent by Tabcorp to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Demerger will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Demerger are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



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3 Profile of Tabcorp

3.1 Background

Tabcorp listed on the ASX in August 1994, following the privatisation of the Victorian Totalizator Agency Boards ("TAB"). Tabcorp acquired the business formerly conducted by the Victorian TAB and licences to conduct wagering and gaming in Victoria. The gaming licence allowed Tabcorp to operate electronic gaming machines ("EGMs") and Keno in Victoria. The wagering licence allowed Tabcorp to offer totalizator betting for racing and fixed odds betting on sporting events.

At the same time, Tabcorp and the Victorian Racing Industry ("VicRacing") formed an unincorporated joint venture for the operation of a wagering and gaming business in Victoria. Under the joint venture agreement, VicRacing was entitled to a 25% share of the profit from Tabcorp's Victorian wagering and gaming businesses and supplied racing services to Tabcorp in return for a racing program fee, product supply fee and marketing fee. The joint venture agreement and the licences ran until August 2012.

Following its listing, Tabcorp grew significantly through acquisitions and expansion into new sectors:

- in late 1999, Tabcorp acquired Star City Holdings Limited ("Star City"), the owner of the Star City hotel and casino complex in Sydney;
- in early 2000, Tabcorp acquired Structured Data Systems Pty Ltd, a developer of networked wagering systems (including Trackside), Keno systems and animated games;
- in late 2003, Tabcorp merged with Jupiters Limited ("Jupiters"), which owned hotel and casino complexes in Brisbane, the Gold Coast and Townsville in Queensland as well as EGM monitoring operations in Queensland and New South Wales (which Tabcorp was required to divest);
- in late 2004 Tabcorp completed the takeover of New South Wales based wagering and media company, TAB Limited (itself a result of the privatisation of the New South Wales TAB); and
- in late 2008, in response to competition changes in the Australian wagering market, Luxbet was launched as Tabcorp's Northern Territory licensed online and telephone corporate bookmaking service.

In addition, in June 2006, Tabcorp announced a proposed cash and scrip takeover of UNiTAB Limited ("UNiTAB"), which provided totalizator and fixed odds sports betting products in Queensland, South Australia and the Northern Territory as well as gaming machine monitoring services in Queensland, the Northern Territory and New South Wales. Tabcorp's takeover offer was competing with a merger of equals proposed by Tattersall's Limited, at the time, the operator of public lotteries in Victoria, Tasmania, the Australian Capital Territory and the Northern Territory, one of two non-casino EGM operators in Victoria and with interests in gaming services businesses in Australia. However, in August 2006, the Australian Competition & Consumer Commission ("ACCC") announced that it would oppose the takeover and, as a result, Tabcorp did not proceed with the takeover. UNiTAB was ultimately acquired by Tattersall's Limited, which changed its name to Tatts Group Limited ("Tatts").

In June 2011, Tabcorp demerged its casino operations, resulting in Tabcorp's casinos business being separately listed as Echo Entertainment Group Limited (now The Star Entertainment Group Limited) and the wagering, gaming and Keno businesses being retained by Tabcorp.

The August 2012 restructure of the Victorian gambling industry had a significant impact on Tabcorp. Under the new arrangements, gaming moved to a venue based model where hotels and clubs held EGM entitlements directly and there was a single Keno licence with distribution expanded to include all venues with a liquor licence. Following this restructure, Tabcorp:

- exited the Tabaret gaming business (the brand under which Tabcorp had operated EGMs in Victoria and which had been a significant contributor to Tabcorp's earnings, generating ~25% of group EBIT⁸);

⁸ EBIT is earnings before net finance costs, tax and significant items.

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- was issued a new 12 year Victorian Wagering and Betting Licence (to 2024) for racing and sports wagering (following a competitive process) and entered into a new 50:50 joint venture with VicRacing;
- was awarded a ten year Victorian Keno Licence (to April 2022); and
- commenced a new business, TGS, which provided gaming services in Victoria and New South Wales.

Subsequent to the demerger of its casino operations and the restructure of the Victorian gambling industry, Tabcorp focused on strengthening its remaining businesses, including through:

- the October 2014 acquisition of the Australian Capital Territory TAB (“ACTTAB”). ACTTAB provided totalizator and fixed odds betting, Keno and Trackside products in the Australian Capital Territory through a network of eight TAB agencies and 37 licensed venues as well as telephone and online platforms. As part of the acquisition, Tabcorp was issued with a 50 year exclusive totalizator licence, a sports bookmaking licence for an initial term of 15 years with further rolling extensions to a total term of 50 years and ongoing approvals to offer Keno and Trackside products for 50 years;
- the August 2016 launch of Sun Bets, an online sports bookmaking and casino products business, in conjunction with News UK, a subsidiary of News Corporation. However, the performance of Sun Bets was below expectations and in July 2018, Tabcorp reached an agreement with News UK to exit the business, making a payment to News UK of £39.5 million; and
- the acquisition of Intecq Limited (“Intecq”) in December 2016. Intecq was an ASX listed gaming systems company providing integrated gaming technology solutions, gaming management systems and monitoring services to more than 1,200 licensed venues across Australia.

However, the most transformative transaction for Tabcorp was its combination with Tatts, announced in October 2016, under which Tatts shareholders received, for each share held in Tatts, a combination of Tabcorp shares and cash resulting in Tatts shareholders holding approximately 58.4% of the shares in the combined company.

Tatts was a leading provider of non-casino gambling services in Australia, operating lotteries, wagering and gaming services businesses to customers through retail and direct channels. Tabcorp completed its combination with Tatts in December 2017, effectively combining six complementary businesses into its current three businesses, Lotteries & Keno, Wagering & Media and Gaming Services, creating a diversified gambling entertainment group with an integrated national platform (except in Western Australia⁹) across lotteries, wagering¹⁰, media and gaming services¹¹ operations. The combined group had proforma FY17 revenue of approximately \$5.0 billion and proforma FY17 EBITDA¹² of approximately \$915 million¹³ and was expected to generate at least \$130 million per annum of EBITDA from synergies and business improvements.

Since the combination with Tatts, Tabcorp’s focus has been on integration of the two companies. The integration of Tabcorp and Tatts was substantially complete by June 2020, delivering \$86 million in EBITDA benefits in FY20 and \$95 million in FY21 (with the achievement of revenue synergies and some cost synergies hampered by the effects of the COVID-19 pandemic). In FY21, Tabcorp generated revenue of \$5.7 billion and EBITDA of \$1.1 billion.

⁹ The Western Australian Government is currently undertaking a sale process for the Western Australian TAB. The sale process is not expected to complete until late 2022.

¹⁰ In particular, Tabcorp held exclusive retail wagering licences in Victoria, New South Wales and the Australian Capital Territory (under the TAB brand) and Tatts held exclusive retail wagering licences in Queensland, South Australia, Tasmania and the Northern Territory (under the UBET brand). UBET was integrated under TAB.

¹¹ Tatts’ MAX business was combined with Tabcorp’s TGS business (incorporating Intecq), with Tabcorp’s business rebranded as MAX.

¹² EBITDA is earnings before net finance costs, tax, depreciation, amortisation and impairment and significant items.

¹³ FY17 proforma EBITDA is as disclosed in the Tatts Scheme Booklet and has not been restated for the impact of AASB16 Leases.

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Today, Tabcorp is a leading Australian diversified gambling entertainment company with operations throughout Australia and more than 5,000 employees. It is a top 50 ASX listed company with a market capitalisation of more than \$11 billion.

3.2 Business Operations

Tabcorp's business operations are summarised below:

TABCORP – BUSINESS OPERATIONS

| DIVISION | BRAND | DESCRIPTION |
|------------------|---|--|
| Lotteries & Keno |  | Australia's leading lottery operator with exclusive and/or long-dated licences and approvals to operate in all Australian States and Territories excluding Western Australia. The business distributes lottery products in 3,863 ¹⁴ retail outlets and online. Game brands include <i>Powerball</i> , <i>Oz Lotto</i> , <i>Set for Life</i> , <i>Lucky Lotteries</i> , <i>Instant Scratch-Its</i> , <i>TattsLotto</i> , <i>XLotto</i> , <i>Super '66'</i> , <i>Lotto Strike</i> , <i>Lotto</i> and <i>Gold Lotto</i> |
| |  | Australia's leading Keno operator, licenced to provide Keno products through a distribution network of 3,409 ¹⁴ venues (hotels, clubs, casinos and TABs) across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory, and through digital approvals in the Australian Capital Territory and Victoria (from 15 April 2022) |
| Wagering & Media |  | A leading omni-channel wagering operator in Australia with exclusive retail licences in all States and Territories excluding Western Australia. Operates under the <i>TAB</i> brand, which is one of the most recognised wagering brands in Australia with 4,257 ¹⁴ on-course and retail venues as well as a digital platform |
| |  | Holds long term media rights and is a leading multi-venue, multi-channel racing and sports broadcaster. <i>Sky</i> is distributed to 4,790 ¹⁴ agency and licenced venues across Australia and is telecast to viewers in Australia and internationally. Also operates the Sky Sports Radio Network across New South Wales and the Australian Capital Territory and the RadioTAB network in Queensland, South Australia, Tasmania and the Northern Territory |
| |  | United States based marketer and distributor of racing content from Australia, New Zealand, South Africa and South Korea to the Americas. Assists with importing international racing content into Australia and conducts a separate tote pool (hosted by PGI ¹⁵) for racing from Australia, Korea and Japan. Recently acquired a North Dakota Totalisator Licence which enables the co-mingling of United States wagering operators with Tabcorp's domestic pools |
| |  | Operates an international wagering and tote pooling hub licenced in the Isle of Man ¹⁵ . The largest global tote hub (by turnover) and the only tote pooling hub that operates 24 hours a day, 365 days a year. Enables wagering operators and premium customers to connect to most of the global tote pools and covers approximately 140 race meetings daily on thoroughbred, harness and greyhound codes racing |
| Gaming Services |  | Gaming services operator servicing 84% of EGMs in Australia ¹⁶ across 3,955 ¹⁴ venues, providing a comprehensive suite of end-to-end products and gaming services solutions including monitoring services, financing, gaming systems and services, and maintenance services. Sole operator of EGM monitoring services in New South Wales and the Northern Territory and one of three licenced operators in Queensland. Licenced in Victoria, New South Wales, Queensland and the Australian Capital Territory to provide EGM procurement and financing support |

Source: Tabcorp

¹⁴ At 31 December 2021.

¹⁵ Tabcorp increased its shareholding in Premier Gateway International Limited ("PGI") from 50% to 100% in February 2021, providing greater exposure to international tote pooling. PGI was previously a 50:50 joint venture between Tabcorp and Phumelela Gold International Limited.

¹⁶ Based on the total number of EGMs in Australia to which Gaming Services provides at least one product or service.

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While the core business facing technology platforms for each of Tabcorp's business operations are largely separate¹⁷, there is a level of integration between the businesses in terms of Tabcorp's corporate services infrastructure (i.e. common usage of property, technology and systems and administration functions¹⁸).

The Lotteries, Keno and Wagering businesses are licenced and regulated at a State and Territory level. The Wagering business, in particular, has well established controls in place to promote responsible gambling and to regulate turnover and taxes. Gaming Services is also highly regulated, with restrictions on EGM counts, mandated minimum returns to players, voluntary pre-commitment systems and taxes on operators. As a result of the nature of its business operations, Tabcorp has key relationships with:

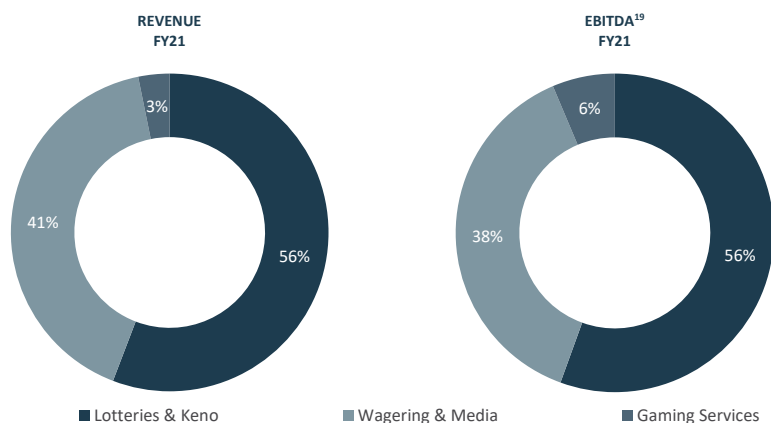
- State and Territory governments that issue the licences that enable Tabcorp to conduct its business operations. In addition to the cost of acquiring these licences, Tabcorp pays annual State and Territory lottery, wagering and Keno taxes;
- representatives of the New South Wales, Victorian, South Australian and Queensland racing industries in relation to activities conducted under the wagering licences of these States. Under these commercial racing industry agreements, Tabcorp returns ~40% of its annual revenue to the racing industry in the form of racing program, product supply and marketing fees; and
- its retail partners (hotels, clubs, TAB agents, newsagents and lottery retailers), that receive turnover based commissions.

In total, taxes, levies, commissions and fees represent ~65% of Tabcorp's annual revenue.

Tabcorp also has a relationship with Jumbo Interactive Limited ("Jumbo"), an online reseller of lottery products. Under this agreement (which runs until August 2030), Tabcorp receives service fees on ticket subscriptions sold by Jumbo. Tabcorp had previously built an 11.6% interest in Jumbo, but this interest was disposed of in September 2020.

Tabcorp's Lotteries & Keno business is the largest contributor to Tabcorp's group revenue and EBITDA:

TABCORP – CONTRIBUTION BY BUSINESS DIVISION



Source: Tabcorp

¹⁷ Other than existing Keno customer account operations, which are integrated with Tabcorp's Wagering operations.

¹⁸ Including group finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll and IT.

¹⁹ EBITDA is after allocation of corporate overheads.

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In FY21, Tabcorp's Lotteries & Keno business contributed 56% of group revenue and group EBITDA. However, revenue and EBITDA from Wagering & Media and Gaming Services in this period were more severely impacted by the closure of licenced venues (hotels and clubs) and TAB agencies which offered Wagering & Media, Keno and Gaming Services products as well as cancellation and/or postponement of major sports events around the world and in Australia to contain or slow the spread of COVID-19. In FY19 (the first full year post the Tabcorp-Tatts combination and prior to the COVID-19 pandemic), the Lotteries & Keno business contributed 52% of revenue and 46% of EBITDA (i.e. the Wagering & Media and Gaming Services businesses collectively contributed almost half of Tabcorp's revenue and more than half of its EBITDA).

3.3 Business Strategy

Tabcorp seeks to deliver sustainable superior returns to its shareholders through the delivery of financial, operational and leadership excellence. Its vision is to be *the trusted gambling entertainment company*, with the purpose of creating *excitement with integrity*. Tabcorp aims to achieve these goals through its strategic pillars:

- customer led – understanding its customers, engaging with them personally and creating products they love;
- superb experience – leveraging the combination of venues, digital and live event channels to deliver amazing experiences;
- brilliant execution – taking pride in simply and efficiently delivering with excellence; and
- collaborative partnerships – aligning its interests and having deep collaboration with partners.

Within these parameters, each of Tabcorp's business operations has separate identified growth strategies:

- Lotteries & Keno growth is underpinned by a customer-led focus on product innovation (refreshed existing games, new games), deepened engagement across all channels and digital expansion. Lotteries & Keno will also pursue growth opportunities through enhancements to existing licences and new licence opportunities (domestically and internationally);
- Wagering & Media growth is underpinned by a unique and improved customer experience, the potential for domestic structural industry reform and the potential to expand into new markets; and
- Gaming Services is focused on executing the current plan to simplify the operating and business model and streamline the operating cost base amidst continued COVID-19 pandemic disruptions. Gaming Services also intends to invest to grow its core business (additional monitoring products and licences, venue advisory opportunities, data and analytics function and third party distribution partnerships).

In addition to its business specific strategies, Tabcorp also has in place or has undertaken certain groupwide initiatives:

- following completion of the integration of Tatts, Tabcorp embarked on a three year, enterprise-wide "3S" program ("Simpler, Smarter, Stronger"), to deliver significant cost savings and enhanced operational capability. The key focus areas include operational model changes, process simplification and redesign, data and digitisation improvements and maximising value from vendor spend and property footprint. The program delivered \$30 million in EBIT savings in FY21²⁰ and a further \$16 million in EBIT savings in 1HY22. In conjunction with the announcement of its 1HY22 results, Tabcorp confirmed that it continues to target FY22 EBIT savings from the enterprise-wide 3S program of \$20-25 million; and
- the strategic review undertaken by the Board, management and Tabcorp's advisers in the second half of FY21 (see Section 1 for details) was a natural progression of an ongoing evaluation by the Board of how to best maximise the value of Tabcorp's businesses for the benefit of shareholders.

²⁰ Including depreciation and amortisation savings of \$4 million and before costs to implement of \$5 million (before tax).

GRANT SAMUEL



3.4 Financial Performance

3.4.1 Historical Group Performance

Tabcorp's historical financial performance for FY19 to FY21 and for 1HY22 is summarised below:

TABCORP – SUMMARISED HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

| | FY19 RESTATED ²¹ | FY20 ACTUAL | FY21 ACTUAL | 1HY22 ACTUAL |
|---|--------------------------------|----------------|----------------|---------------------|
| Revenue | 5,488 | 5,224 | 5,686 | 2,934 |
| EBITDA ¹² | 1,124 | 995 | 1,107 | 529 |
| Depreciation, amortisation and impairment | (348) | (399) | (383) | (196) |
| EBIT ⁸ | 776 | 596 | 724 | 333 |
| Net finance costs | (208) | (193) | (155) | (71) |
| Income tax expense | (172) | (132) | (170) | (75) |
| OPAT ²² attributable to Tabcorp shareholders | 396 | 271 | 399 | 187 |
| Significant items after tax | (25) | (1,141) | (130) | (12) |
| Loss from discontinued operations (net of tax) | (10) | - | - | - |
| NPAT ²³ attributable to Tabcorp shareholders | 361 | (870) | 269 | 175 |
| STATISTICS | | | | |
| Basic earnings per share ²⁴ | 19.7c | 13.4c | 18.3c | 8.4c |
| Dividends per share | 22.0c | 11.0c | 14.5c | 6.5c |
| Dividend payout ratio ²⁵ | 112% | 82% | 80% | 77% |
| Amount of dividend franked | 100% | 100% | 100% | 100% |
| Revenue growth | +8.7% ²⁶ | -4.8% | +8.8% | +2.2% ²⁷ |
| EBITDA growth | na ²⁸ | -11.5% | +11.3% | -5.5% ²⁷ |
| EBITDA margin | 20.5% | 19.0% | 19.5% | 18.0% |
| Interest cover ²⁹ | 3.9x | 3.3x | 4.5x | 4.9x |

Source: Tabcorp and Grant Samuel analysis

Tabcorp's operating performance was heavily impacted by the COVID-19 pandemic in FY20 and 1HY22 and to a lesser extent in FY21. Revenue fell 4.8% in FY20 following the government mandated closure of licenced venues (hotels and clubs) and TAB agencies which offered Wagering & Media, Keno and Gaming Services products as well as the cancellation and/or postponement of major sports events around the world and in Australia to contain or slow the spread of COVID-19. In addition, Tabcorp supported its venue partners by waiving more than \$100 million in fees in FY20. However, Tabcorp's diversified portfolio assisted in managing the market challenges, with strong performance from its Lotteries business, demonstrating the value of integration and digital transformation.

²¹ FY19 financial performance and cash flow have been restated to reflect the impact of the application of AASB16 Leases, which was adopted in FY20.

²² OPAT is operating profit after tax but before significant items.

²³ NPAT is net profit after tax and after significant items.

²⁴ Basic earnings per share is from continuing operations and before significant items.

²⁵ Dividend payout ratio is based on NPAT attributable to Tabcorp shareholders from continuing operations and before significant items.

²⁶ Revenue growth is based on pro forma results for FY18 as if the Tabcorp-Tatts combination had been in place for the full year.

²⁷ Growth rates are over the prior corresponding period (i.e. 1HY21).

²⁸ na = not available.

²⁹ Interest cover is EBIT divided by net finance costs. For the purpose of calculating interest cover, EBIT excludes amortisation of the Victorian wagering and betting licence (of \$35 million per annum). Net finance costs in FY21 include interest charges relating to uncertain tax provisions of \$9 million and finance costs relating to the strategic review of \$4 million (which are treated as significant items in the table above but were included in Tabcorp's calculation of FY21 interest cover of 4.5 times).

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Revenue increased by 8.8% in FY21 (to above FY19 levels) driven by revenue growth across Lotteries (+8%), and Keno (+34%) and a return to growth for Wagering & Media (+10%). Tabcorp's omni-channel business model played an important role in revenue growth, with digital turnover growing by 27% in Lotteries, 74% in Keno and 27% in Wagering & Media. Growth in Lotteries was largely attributable to further game development and active profile and sequence management, whereas Keno and Wagering & Media benefited from the reopening of venues and the easing of restrictions. However, while TAB wagering turnover increased (+17%), lower fixed odds yields and increased customer generosities impacted revenue conversion. In contrast, the Gaming Services business continued to be impacted by reduced fees earned during periods of government mandated lockdowns and density restrictions (especially in Victoria), with revenue declining a further 17% in FY21. Revenue increased in 1HY22 despite both Victoria and New South Wales facing extended government mandated lockdowns in response to the Delta variant of COVID-19. Lotteries revenue grew strongly but this was offset in part by a decline in revenue (over the prior corresponding period) for the Keno and Wagering & Media businesses. Gaming Services reported an increase in revenue due to a reduction in lost days in Victoria compared to the prior corresponding period and a relatively small exposure to the New South Wales venue closures.

Despite movements in revenue, the group EBITDA margin over the period from FY19 to FY21 remained relatively constant, in the range 19-20.5% due to:

- the overall decline in the EBITDA margins for Wagering & Media and Gaming Services being offset by an increase in the EBITDA margin for Lotteries & Keno;
- cost control initiatives in response to the COVID-19 pandemic in FY20 (e.g. stand down of employees, reduced working weeks, reduction in annual leave balances, reduction in technology contractors, reduction in Managing Director and Chief Executive Officer fixed remuneration and Board fees and significant reduction in discretionary expenditure); and
- implementation of Tabcorp's three year, enterprise-wide 3S program, which delivered \$26 million in EBITDA savings in FY21³⁰.

Although a further \$14 million of 3S program EBITDA savings were achieved in 1HY22, this was insufficient to offset the impact of the COVID-19 pandemic, along with a significant increase in generosities and advertising in a highly competitive and largely digital Wagering market, the continued provision of fee relief to closed venues and growth in operating expenses with the 1HY22 EBITDA margin falling to 18.0%.

The performance of Tabcorp's business divisions is discussed in more detail in Section 3.4.2 of this report.

Tabcorp's interest cover fell from 3.9 times in FY19 to 3.3 times in FY20 as EBIT declined. Interest cover increased to 4.5 times in FY21 as EBIT improved and interest expense declined following the entitlement offer in August/September 2020, the proceeds of which were used to pay down existing drawn bank debt facilities. There was a further increase in interest cover in 1HY22 to 4.9 times, with the decline in EBIT more than offset by a fall in net finance costs as net borrowings declined and there was a reduction in commitment fees following the cancellation of certain debt facilities.

Over the past three and a half years, Tabcorp's financial performance has also been impacted by:

- the closure of the Sun Bets business in July 2018, with its financial performance shown as a single line, loss from discontinued operations (net of tax) in FY19; and
- significant items incurred in each period:

³⁰ Before costs to implement of \$5 million (before tax).

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TABCORP – SIGNIFICANT ITEMS (AFTER TAX) (\$ MILLIONS)

| | FY19 ACTUAL | FY20 ACTUAL | FY21 ACTUAL | 1HY22 ACTUAL |
|--|----------------|----------------|----------------|-----------------|
| Goodwill impairment – Wagering & Media | - | (905) | - | - |
| Goodwill impairment – Gaming Services | - | (185) | (122) | - |
| Asset impairments and onerous contracts | - | (19) | - | - |
| Tabcorp-Tatts combination implementation costs | (24) | (18) | (14) | - |
| Racing Queensland arrangements | (12) | (19) | (11) | - |
| ACTTAB point of consumption tax refund | 11 | 5 | - | - |
| Amended tax assessment (treatment of MAX licence fees) | - | - | (69) | - |
| Profit on sale of Jumbo shares | - | - | 69 | - |
| PGI revaluation on acquisition | - | - | 35 | - |
| Restructure costs (3S program) | - | - | (12) | - |
| Strategic review costs | - | - | (4) | - |
| Property (net) | - | - | (2) | - |
| Demerger costs | - | - | - | (12) |
| Significant items (after tax) | (25) | (1,141) | (130) | (12) |

SOURCE: Tabcorp

The main significant items have been:

- a \$1,090 million goodwill impairment and a \$19 million impairment and onerous contract provision (relating to wagering software assets and a gaming inventory management system) in FY20 across Tabcorp's Wagering & Media and Gaming Services businesses reflecting the impact of the COVID-19 pandemic, the possible acceleration of retail contraction, the level of competitive intensity and structural changes and the potential decline in consumer confidence and increased economic uncertainty. An additional \$122 million goodwill impairment was recognised in Gaming Services in FY21 due to the ongoing impact of the COVID-19 pandemic and reduced expectations for future growth and contract extensions in an uncertain economic environment;
- Tabcorp-Tatts combination implementation costs (restructure charges, integration management office and dedicated merger implementation resources). Total implementation costs were \$123 million before tax (\$86 million after tax), below the market guidance of \$130 million before tax;
- top up payments required to meet minimum fee obligations to Racing Queensland under arrangements entered into as part of the combination with Tatts. These payments ended in December 2020; and
- restructure costs in relation to initiatives identified as part of the enterprise-wide 3S program (FY21) and costs incurred in relation to the Demerger (1HY22).

Other significant items relate to a one off compensation amount received by ACTTAB following introduction of the point of consumption tax, an amended tax assessment relating to the treatment of monitoring EGM licence fees in New South Wales, a profit on the sale of Jumbo shares, revaluation of Tabcorp's investment in PGI on acquisition of the remaining 50% interest, costs in relation to the strategic review (that culminated in the announcement of the Demerger) and losses incurred on the sale of surplus corporate properties.

The Tabcorp Board resolved not to pay a final dividend for FY20 as part of securing agreement from Tabcorp's lenders for waivers and adjustments to leverage and interest cover covenants in relation to the 30 June 2020 and 31 December 2020 testing dates. In conjunction with the entitlement offer announced in August 2020, Tabcorp announced a revised target dividend payout ratio of 70%-80% of NPAT before

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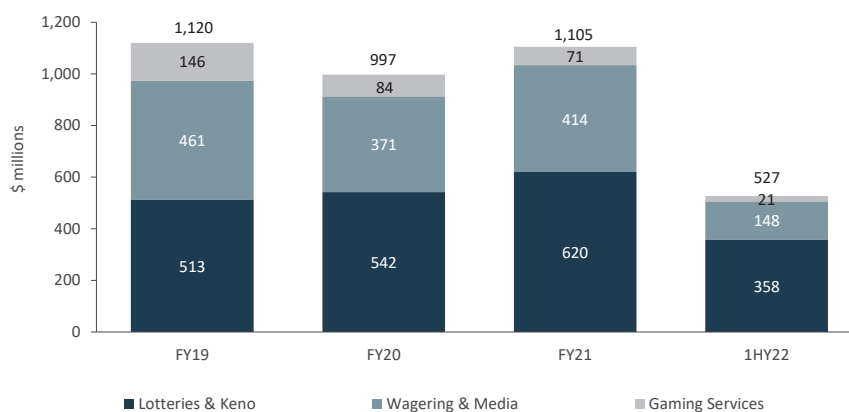
significant items³¹ on the resumption of dividends (i.e. from FY21 onwards). The FY21 dividend payout ratio of 80% is consistent with this target. Tabcorp's dividends have historically been fully franked.

3.4.2 Historical Business Division Performance

Tabcorp's EBITDA by business division from FY19 to FY21 and for 1HY22 is shown in the chart below:

TABCORP – EBITDA BY BUSINESS DIVISION³²

FY19 – 1HY22

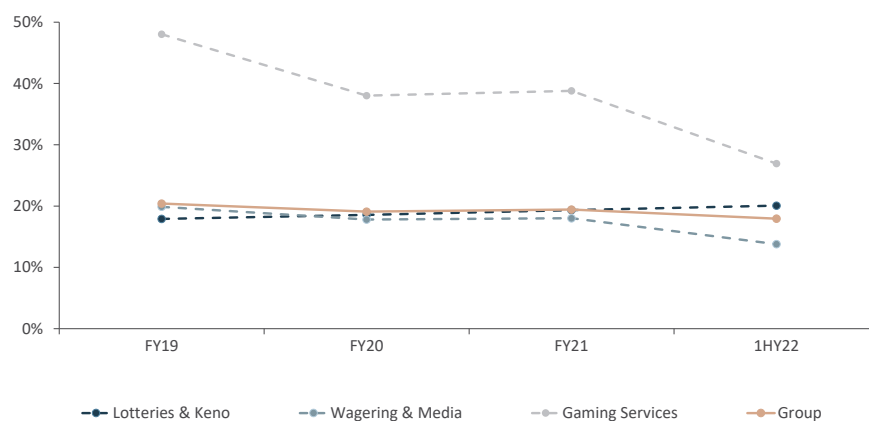


Source: Tabcorp

The EBITDA margins for each of Tabcorp's business divisions and for the group are set out below:

TABCORP – EBITDA MARGIN BY BUSINESS DIVISION

FY19 – 1HY22



Source: Tabcorp

³¹ Prior to May 2020, Tabcorp's target dividend payout ratio was 100% of adjusted NPAT. Adjusted NPAT was NPAT before significant items, amortisation of the Victorian wagering and betting licence and purchase price accounting. Under the revised target dividend payout ratio, NPAT is no longer adjusted for amortisation of the Victorian wagering and betting licence and purchase price accounting.

³² EBITDA contribution by business division does not aggregate to the consolidated group EBITDA due to intercompany eliminations and unallocated items.

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EBITDA Contribution

Historically, Wagering & Media and Gaming Services have collectively generated more than half of Tabcorp's EBITDA. However, the impact of the COVID-19 pandemic has changed Tabcorp's EBITDA mix. Venue closures and trading restrictions on hotels and clubs severely reduced the contribution of both the Wagering & Media and Gaming Services businesses. In contrast, The EBITDA contribution from the Lotteries & Keno business continued to increase as Lotteries' retail distribution partners (e.g. newsagents and convenience stores) largely continued trading during the COVID-19 government mandated lockdown periods. The continued increase in the EBITDA contribution from the Lotteries & Keno business also reflects investments in digital and retail channels, game development and active portfolio and sequence management, resulting in a growing customer base. Digital turnover increased from 23.5% of total Lotteries turnover in FY19 to 28% in FY20, 32.8% in FY21 and 36.7% in 1HY22.

While Keno revenue and EBITDA suffered from the shutdown of clubs and hotels in second half of FY20 and in 1HY22, this had little impact on the combined EBITDA contribution of the Lotteries & Keno business as Keno represents less than 10% of Lotteries & Keno revenue and 12-16% of EBITDA. The contribution from Keno rebounded in FY21 as COVID-19 related restrictions eased, with performance also benefiting from enhanced trade and loyalty programs and alignment of the game in South Australia with draws conducted on the east coast of Australia.

In FY20 and 1HY22, the Wagering & Media business was heavily impacted by COVID-19 pandemic enforced closures and restrictions on retail operations (which accelerated the channel shift to digital, with digital turnover for the Wagering business exceeding retail turnover for the first time in FY20) as well as the suspension of domestic and international sport (in FY20) and significant increases in generosity and advertising in a highly competitive and largely digital market (in 1HY22). Operating expenses also increased in 1HY22 with an increased investment in technology (including improved disaster recovery). While the EBITDA contribution from the Wagering & Media business recovered in FY21 (on the back of higher TAB wagering turnover, expansion of Sky Media content and distribution and a focus on customer engagement and its digital platform), it remained below the FY19 EBITDA contribution. Wagering & Media's contribution to Tabcorp's overall EBITDA in FY21 remained unchanged from FY20 at 37% and fell to 28% with the decline in EBITDA in 1HY22.

Tabcorp's Gaming Services business was impacted the most by the trading restrictions on hotels and clubs in FY20, FY21 (particularly in Victoria which has most of the Venue Services machines under contract) and 1HY22 (although revenue increased in 1HY22 due to a reduction in lost days in Victoria compared to the prior corresponding period and a relatively small exposure to the New South Wales venue closures). In addition, Tabcorp suspended all material fees for venues during the period in which they were not trading and only returned to a full fee model on 1 December 2021. EBITDA fell by more than 40% in FY20 and while some parts of the Gaming Services business improved (e.g. regulatory services) and the business made progress in delivering its plan to simplify and streamline its operations, EBITDA fell by a further 15% in FY21 and by 5% in 1HY22 (compared to the prior corresponding period). There was significant operating expense growth in 1HY22 given COVID-19 related cost mitigations in the prior period. The contribution of the Gaming Services business to Tabcorp's group EBITDA has fallen from 13% in FY19 to 4% in 1HY22.

EBITDA Margins

Lotteries & Keno's EBITDA margin has steadily increased from 17.9% in FY19 to 20.1% in 1HY22, supported by an improved reseller agreement, increased digital turnover and process simplification and redesign. In contrast, Wagering & Media's EBITDA margin declined from 19.9% in FY19 to 18.0% in FY21 and to 13.8% in 1HY22 primarily due to reduced revenue from higher margin products, increased generosity, advertising and promotions and a reduction in fixed odd yields. The impact of these factors was partially offset by 3S program initiatives including agency rationalisation and operating model changes.

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Gaming Services historically generated considerably higher margins than Tabcorp's Lotteries & Keno and Wagering & Media businesses, although this had an immaterial impact on the group EBITDA margin given the much smaller contribution of Gaming Services to group revenue and EBITDA. The substantial decline in Gaming Services' EBITDA margin from 48% in FY19 to 38% in FY20 was largely due to the severe impact that COVID-19 pandemic closures and restrictions had on revenue, as well as contract expirations, contract extensions at lower daily rates, reduced project work and the non-renewal of a Telstra Corporation Limited contract. Following completion of an operational review, implementation of a simplified operating structure and cost reductions delivered an improvement in the EBITDA margin in FY21, but this was not able to be sustained in light of ongoing COVID-19 pandemic restrictions and operating cost increases, with the EBITDA margin falling to 26.9% in 1HY22.

3.4.3 Outlook

Tabcorp does not provide earnings forecasts. However, on 17 February 2022, in conjunction with the release of its 1HY22 results, Tabcorp provided the following outlook statements for FY22:

- business as usual capital expenditure of <\$180 million;
- depreciation and amortisation of \$380-390 million; and
- target EBIT savings from the enterprise-wide 3S program of \$20-25 million.

3.5 Financial Position

The financial position of Tabcorp at 31 December 2021 is summarised below:

TABCORP – SUMMARISED FINANCIAL POSITION (\$ MILLIONS)

| | AT 31 DECEMBER 2021 | |
|---|---------------------|----------------|
| | REPORTED | RESTATED |
| Trade and other receivables and prepayments | 239 | 239 |
| Trade payables and accruals | (1,380) | (1,380) |
| Net working capital | (1,141) | (1,141) |
| Licences | 1,988 | 1,988 |
| Other intangible assets | 8,043 | 8,043 |
| Property, plant and equipment | 341 | 341 |
| Right of use assets | 214 | 214 |
| Other financial assets | 276 | 276 |
| Provisions | (75) | (75) |
| Other financial liabilities (fixed odds open betting positions) | (9) | (9) |
| Other (net) ³³ | (238) | (238) |
| Total funds employed | 9,399 | 9,399 |
| Net tax balances | (576) | (576) |
| Net assets employed | 8,823 | 8,823 |
| Cash and cash equivalents | 560 | 560 |
| Borrowings | (2,522) | (2,468) |
| Derivative financial instruments (related to borrowings) (net) | 192 | 138 |
| Net borrowings (excluding lease liabilities) | (1,770) | (1,770) |
| Lease liabilities | (286) | (286) |
| Net borrowings (including lease liabilities) | (2,056) | (2,056) |
| Net assets/Equity attributable to Tabcorp shareholders | 6,767 | 6,767 |

³³ Other includes non-current receivables and prepayments and non-current payables.

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TABCORP – SUMMARISED FINANCIAL POSITION (\$ MILLIONS) (CONT)

| | AT 31 DECEMBER 2021 | |
|---|---------------------|----------|
| | REPORTED | RESTATED |
| STATISTICS | | |
| Shares on issue at period end (million) | 2,225.8 | 2,225.8 |
| Net assets per share | \$3.04 | \$3.04 |
| NTA ³⁴ per share | \$(1.47) | \$(1.47) |
| Leverage (gross borrowings) ³⁵ | 2.5x | 2.5x |
| Leverage (net borrowings) ³⁶ | 2.2x | 2.2x |
| Gearing ³⁷ | 23.3% | 23.3% |

SOURCE: Tabcorp and Grant Samuel analysis

Tabcorp's restated financial position at 31 December 2021 adjusts the reported position for the repayment of the US private placement notes of US\$133 million which mature in April 2022, financed by the drawdown of external borrowings (which only impacts borrowings and derivative financial instruments and had no impact on net assets or ratios), which is unrelated to the Demerger.

Tabcorp typically operates with substantial negative working capital as revenue is generated primarily in cash or via cash payment systems while a significant proportion of payments are made over longer timeframes (e.g. major lottery prizes, product payments, lottery, Keno and wagering taxes). In addition, the timing of jackpot lottery draws can impact net working capital balances at balance date.

The majority of Tabcorp's total funds employed of \$9.4 billion is represented by intangible assets:

- licences of \$2.0 billion represents the cost of licences acquired by Tabcorp less accumulated amortisation. Licences are amortised over the useful life (term) of the licence. Most of the value is in lottery licences, although it also includes wagering licences, gaming machine monitoring licences and Keno licences; and
- other intangible assets of \$8.0 billion is predominantly goodwill. The majority of this goodwill is associated with the combination with Tatts (initially \$6.7 billion), although Tabcorp recorded impairments to goodwill in FY20 (\$1.1 billion across Wagering & Media and Gaming Services) and FY21 (\$122 million in Gaming Services), primarily relating to the impact of the COVID-19 pandemic (see Section 3.4.1 for further details). In addition to goodwill, other intangible assets include software, brand names, customer related assets, New South Wales Tracksides concessions and media content and broadcast rights.

As a consequence of the substantial book value of intangible assets, Tabcorp had NTA per share at 31 December 2021 of \$(1.47) (i.e. negative NTA per share) compared to net assets per share of \$3.04.

Property, plant and equipment is primarily plant and equipment and leasehold improvements and right of use assets predominantly relate to property leases (associated with the Wagering & Gaming business).

Other financial assets are investments in managed funds and term deposits that are held to fund payments to winners of certain lottery games where winnings are payable for up to 20 years. Other financial liabilities are fixed odds open betting positions at balance date. More than 50% of the provisions balance relates to employee benefits.

³⁴ NTA is net tangible assets.

³⁵ Leverage (gross borrowings) is gross borrowings (at face value) including lease liabilities divided by EBITDA for the previous 12 months.

³⁶ Leverage (net borrowings) is net borrowings including lease liabilities, excluding fair value accounting impacts on US private placement notes and excluding restricted cash divided by EBITDA for the previous 12 months. Restricted cash at 31 December 2021 was \$306.5 million, of which \$223.3 million related to the Lotteries & Keno business and \$83.2 million related to the Wagering & Media and Gaming Services businesses.

³⁷ Gearing is net borrowings including lease liabilities divided by net assets plus net borrowings.

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Net tax balances represent a net deferred tax liability of \$539 million and current tax liabilities of \$37 million. The net deferred tax liability predominantly relates to licences (where tax depreciation is significantly higher than accounting depreciation).

Tabcorp has a diversified funding mix that includes unsecured bank loans (approximately 40% of total facilities) as well as capital markets debt (approximately 60% of total facilities):

TABCORP – BORROWINGS AT 31 DECEMBER 2021 (\$ MILLIONS)

| FACILITY | FACILITY LIMIT | AMOUNT DRAWN | CARRYING VALUE | MATURITY |
|----------------------------|----------------|----------------|----------------|-----------------------------|
| Bank overdraft | \$100 | - | - | February 2022 ³⁸ |
| Bank loans (unsecured) | \$660 | \$430 | \$429 | July 2022 |
| | \$600 | - | - | July 2023 |
| US private placement notes | US\$133 | US\$133 | \$183 | April 2022 |
| | US\$105 | US\$105 | \$144 | June 2026 |
| | US\$450 | US\$450 | \$618 | June 2028 |
| | US\$520 | US\$520 | \$714 | June 2030 |
| | US\$175 | US\$175 | \$240 | June 2033 |
| | \$97 | \$97 | \$97 | June 2035 |
| | \$97 | \$97 | \$97 | June 2036 |
| Total borrowings | \$3,308 | \$2,378 | \$2,522 | |

Source: Tabcorp

At 31 December 2021, Tabcorp had available undrawn facilities of \$931 million.

Tabcorp intends to repay the US\$133 million of US private placement notes maturing in April 2022 by the drawdown of external borrowings.

Tabcorp holds various types of derivatives to hedge its exposures to variability in interest rates and foreign exchange rates (including cross currency swaps and interest rate swaps). At 31 December 2021, the mark-to-market of these hedging arrangements was a net unrealised gain of \$192 million (\$138 million after repayment of the April 2022 US private placement notes).

The use of a substantial proportion of Tabcorp's cash and cash equivalents balance of \$560 million is restricted by regulatory requirements under various State-based licences held by Tabcorp. At 31 December 2021, this restricted cash was \$307 million.

Tabcorp had modest gearing (including right of use assets and lease liabilities) at 31 December 2021 of 23.3%. Leverage (gross borrowings) was also reasonably conservative at 2.5 times, at the low end of Tabcorp's target range of 2.5-3.0 times.

In FY21, the average interest rate on Tabcorp's drawn facilities was 5.3% and the average maturity (based on available facilities) was 5.7 years. The average maturity (based on available facilities) declined slightly to 5.2 years in 1HY22 and there was also a slight decline in the average interest rate on drawn facilities to 5.2%.

Tabcorp targets an investment grade credit rating and has a BBB-/stable credit rating from Standard & Poor's ("S&P").

³⁸ The revolving overdraft facility was extended subsequent to year end until the earlier of 31 July 2022 or the demerger date.

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3.6 Cash Flow

Tabcorp's reported cash flow for FY19 to FY21 and for 1HY22 is summarised below:

TABCORP – SUMMARISED HISTORICAL CASH FLOW (\$ MILLIONS)

| | FY19 RESTATED ²¹ | FY20 ACTUAL | FY21 ACTUAL | 1HY22 ACTUAL |
|--|--------------------------------|----------------|----------------|-----------------|
| EBITDA¹² | 1,124 | 995 | 1,107 | 529 |
| Changes in working capital | 153 | 17 | 38 | 84 |
| Cash flows relating to discontinued operations and significant items | (111) | (46) | (68) | (17) |
| Operating cash flow before interest and tax | 1,166 | 966 | 1,077 | 596 |
| Net interest paid – leases | (17) | (16) | (13) | (5) |
| Net interest paid – non leases | (196) | (179) | (153) | (64) |
| Tax paid | (183) | (100) | (191) | (92) |
| Operating cash flow | 770 | 671 | 720 | 435 |
| Capital expenditure (net) | (276) | (278) | (115) | (81) |
| Net proceeds from issue of shares | - | - | 587 | - |
| Dividends paid | (393) | (392) | (146) | (136) |
| Other | (88) | (17) | 74 | (36) |
| Net cash generated/(used) | 13 | (16) | 1,120 | 182 |
| <i>Net borrowings – opening</i> | <i>(3,562)</i> | <i>(3,665)</i> | <i>(3,724)</i> | <i>(2,361)</i> |
| <i>Non-cash movements³⁹</i> | <i>(116)</i> | <i>(43)</i> | <i>243</i> | <i>69</i> |
| <i>Net borrowings – closing</i> | <i>(3,665)</i> | <i>(3,724)</i> | <i>(2,361)</i> | <i>(2,248)</i> |
| STATISTICS | | | | |
| <i>Operating cash flow conversion⁴⁰</i> | <i>114%</i> | <i>102%</i> | <i>103%</i> | <i>116%</i> |

Source: Tabcorp and Grant Samuel analysis

Tabcorp's business operations are highly cash generative, which is illustrated by the consistently high (>100%) operating cash flow conversion ratio and is indicative of the cash nature of its revenue generation activities. Operating cash flow (after interest and tax payments) has reflected the impact of the COVID-19 pandemic, with lower operating cash flow in FY20 and a recovery in FY21 (albeit not to FY19 levels), but a further decline in 1HY22 (over the prior corresponding period).

Operating cash flow has been sufficient to meet payments for capital expenditure and dividends:

- gross capital expenditure has been in the range \$280-290 million per annum in FY19 and FY20 but fell to \$183 million in FY21 as the integration of Tatts was completed and business as usual capital expenditure was more disciplined in an environment impacted by the COVID-19 pandemic. Tabcorp has provided guidance for FY22 business as usual capital expenditure of less than \$180 million. Gross capital expenditure in 1HY22 was consistent with this guidance at \$86 million.

The vast majority of Tabcorp's capital expenditure relates to Wagering & Media:

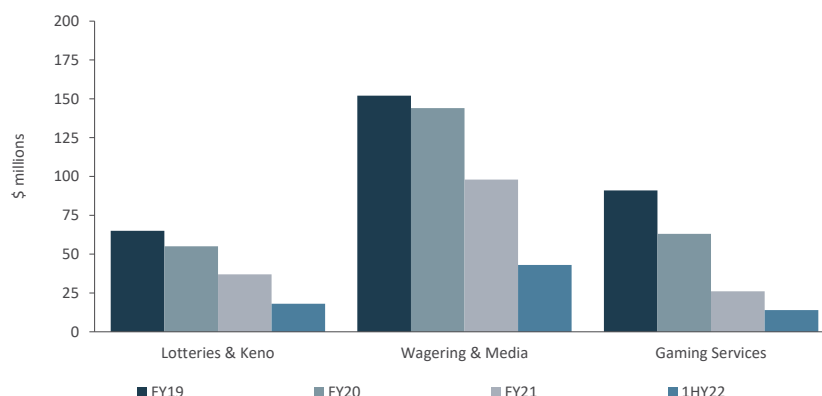
³⁹ Non-cash movements represent foreign exchange movements on US private placement notes.

⁴⁰ Operating cash flow conversion is operating cash flow before interest and tax excluding significant items divided by EBITDA.

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TABCORP – CAPITAL EXPENDITURE⁴¹ BY BUSINESS DIVISION

FY19 – 1HY22



Source: Tabcorp

Wagering & Media is a relatively capital intensive business, due to the significant digital technology investment required and its footprint of retail venues (as well as integration capital expenditure in FY19 and FY20). Annual capital expenditure has been in the range \$100-150 million (representing 50-60% of Tabcorp's total annual capital expenditure). In contrast, the Lotteries & Keno business has relatively low capital intensity (annual capital expenditure of \$40-65 million, representing just over 20% of Tabcorp's total annual capital expenditure); and

- dividends paid was flat in FY19 and FY20 reflecting Tabcorp's consistent interim and final dividends per share over this period. The substantial decline in dividends paid in FY21 was a result of the Tabcorp Board's resolution not to pay a final dividend in relation to FY20 (which would have usually been paid in August 2021 i.e. in the FY21 financial year). This decision was part of securing agreement from Tabcorp's lenders for waivers and adjustments to leverage and interest cover covenants for the 30 June 2020 and 31 December 2020 testing dates in response to the impact of the COVID-19 pandemic.

To further strengthen its financial position in light of the continued significant uncertainty regarding the severity and duration of the COVID-19 pandemic, Tabcorp undertook an entitlement offer in August/September 2020, raising net proceeds (after offer costs) of \$587 million which were used to pay down existing drawn bank debt facilities and support the move to a revised target leverage (gross borrowings) range of 2.5-3.0 times (from 3.0-3.5 times previously).

The combination of lower dividends paid and the net proceeds from the entitlement offer resulted in substantial net cash generation and a reduction in net borrowings in FY21.

Other cash flows are primarily investments in managed funds and term deposits that are held to fund payments to winners of certain lottery games where winnings are payable for up to 20 years, offset in FY21 by proceeds from the sale of Tabcorp's investment in Jumbo and cash acquired (net of the payment made) for the remaining 50% interest in PGI.

⁴¹ Capital expenditure excludes the acquisition of licences, unallocated items, make good provisions raised during the year and additions to right of use assets.

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3.7 Taxation Position

Under the Australian tax consolidation regime, Tabcorp and its 100% owned Australian tax resident subsidiaries have formed an income tax consolidated group and are therefore taxed as a single entity.

At 31 December 2021, Tabcorp had:

- no income tax losses;
- capital losses of \$344.4 million (a portion of which are subject to an “available fraction” prior to utilisation; and
- \$158.0 million in franking credits available at the 30% company tax rate.

3.8 Capital Structure and Ownership

3.8.1 Capital Structure

Tabcorp has the following securities on issue:

- 2,225,771,703 ordinary shares (including 4,177,842 restricted shares); and
- 6,648,514 performance rights.

Ordinary shares have voting rights and the right to receive dividends. However, failure to comply with certain gambling-related legislative provisions or Tabcorp’s Constitution (including the shareholder restrictions discussed below) may result in suspension of voting rights.

Tabcorp operates the following incentive plans for senior executives and management:

- a short term performance plan (“STPP”) under which it is mandatory for the executive leadership team to defer 25% (50% for the Managing Director and Chief Executive Officer) of their STPP payment into restricted shares, which are subject to a two year service condition; and
- a long term performance plan (“LTPP”) under which the most senior executive levels are entitled to performance rights. Each performance right is a right to receive one fully paid ordinary share in Tabcorp subject to meeting performance conditions and a service condition over a three year period. Performance rights do not carry any rights to vote or to receive dividends.

Tabcorp also has in place:

- general employee share plans (“GESPs”) (a tax deferred plan and a tax exempt plan) under which Tabcorp employees are offered the opportunity to acquire Tabcorp shares on a pre-tax salary basis⁴². Any shares acquired under these plans are subject to a three year trading restriction (unless the employee ceases employment with the Tabcorp group earlier); and
- a 2021 retention plan (in connection with the Demerger), under which certain key team members have received an allocation of restricted shares which are subject to a two year trading restriction period (until July 2023). The 2021 retention plan is designed to recognise and retain key Tabcorp employees in the period up to and immediately after the Demerger.

Tabcorp operates a dividend reinvestment plan which enables shareholders to reinvest all or part of their dividends in additional Tabcorp shares. The plan is currently active. In relation to the 1HY22 dividend, Tabcorp will procure the purchase of shares on-market to satisfy elections by Tabcorp shareholders under the dividend reinvestment plan.

⁴² A minimum of \$1,000 and a maximum of \$5,000, and otherwise a multiple of \$500 under the tax deferred plan and/or \$1,000 under the tax exempt plan.

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**3.8.2 Ownership**

Tabcorp has approximately 160,000 registered shareholders. The top 20 registered shareholders represent approximately 70% of the ordinary shares on issue and are primarily institutional nominee/custodian or listed investment companies. The top 20 beneficial shareholders represent approximately 45% of the ordinary shares on issue⁴³. Superannuation funds make up the top five beneficial shareholders and 10 of the top 20 beneficial shareholders⁴³. The remaining 10 of the top 20 beneficial shareholders are investment funds⁴³.

Despite superannuation and investment funds being the largest beneficial shareholders, Tabcorp has a significant retail investor base with a majority of registered shareholders classified as retail although this represents only a small proportion of the shares on issue⁴⁴. A majority (>50%) of Tabcorp's issued shares are held by Australian based investors⁴⁵.

Tabcorp has received notices from the following substantial shareholders:

TABCORP – SUBSTANTIAL SHAREHOLDERS

| SHAREHOLDER | DATE OF NOTICE | NUMBER OF SHARES | PERCENTAGE INTEREST | |
|--------------------------|-------------------|------------------|---------------------|--------------------------------|
| | | | BASED ON NOTICE | BASED ON CURRENT ISSUED SHARES |
| AustralianSuper Pty Ltd | 16 March 2020 | 174,180,122 | 8.60% | 7.83% |
| BlackRock Group | 22 January 2020 | 121,798,304 | 6.01% | 5.47% |
| State Street Corporation | 17 September 2021 | 118,057,303 | 5.31% | 5.30% |

Source: Tabcorp

There are a number of restrictions applying to shareholdings in Tabcorp which arise under legislation, the requirements of various regulatory authorities and in Tabcorp's Constitution. In particular:

- Tabcorp's Constitution contains restrictions prohibiting a person from having a voting power in Tabcorp in excess of 10% without obtaining the written consent of relevant Government Ministers in New South Wales and Queensland; and
- legislative change to the *Totalizator Act 1997* (NSW) (and related legislation) would be required for a person to hold in excess of 10% of the shares in Tabcorp (or the New South Wales wagering licence holder, TAB Limited).

⁴³ Source: Orient Capital Pty Ltd as at 29 October 2021.

⁴⁴ Based on an analysis of 79.5% of Tabcorp's issued capital prepared by Orient Capital Pty Ltd at 29 October 2021, retail shareholders represented less than 7% of Tabcorp's issued capital (although retail shareholders are also likely to have represented the majority of the 20.5% of Tabcorp's issued capital that was not analysed).

⁴⁵ Based on an analysis of 79.5% of Tabcorp's issued capital prepared by Orient Capital Pty Ltd at 29 October 2021, Australian based shareholders represented 54% of Tabcorp's issued capital.

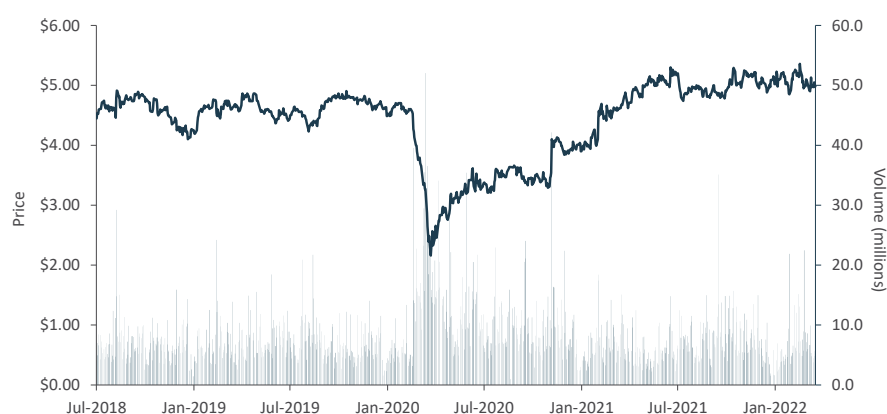
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3.9 Share Price Performance

The following graph illustrates the movement in the Tabcorp share price and trading volumes since July 2018:

TABCORP – SHARE PRICE AND TRADING VOLUME
JULY 2018 TO MARCH 2022



Source: IRESS

Movements in the Tabcorp share price over the past three and a half years have corresponded with the performance of (including the impact of external events on) its business operations. The chart above shows three phases:

- share trading in a relatively tight range around \$4.00 to \$5.00 from July 2018 until late February/early March 2020. While Tabcorp's share price declined following the announcement of the exit from Sun Bets in July 2018 and an investor day in October 2018, the fall was not inconsistent with the overall market and there was a subsequent recovery in the share price on the back of the announcement of strong 1HY19 results and positive regulatory changes (the commencement of wagering point of sale consumption tax in key States and the prohibition of synthetic lottery products). There was another dip in the share price in July 2019 following the announcement of a claim against Tabcorp by Racing Queensland (relating to the calculation of fees following the introduction of point of consumption tax in Queensland) but the share price again recovered after the announcement of strong FY19 results;
- a swift and severe decline in the Tabcorp share price over the period from mid February 2020 to late March 2020 in response to the COVID-19 pandemic, which mirrored the reaction across the market as a whole. For Tabcorp, the decline in the share price followed the closure of licenced venues and TAB agencies as well as the cancellation and/or postponement of major sports events around the world and in Australia as well as Tabcorp not being in a position to provide specific guidance on earnings or the financial impacts of the COVID-19 pandemic. Tabcorp's share price fell by more than 50% over this period (from a high of \$4.68 to a low of \$2.09); and
- a steady increase in the share price since late March 2020 as Australia (apart from Victoria) was able to contain COVID-19 outbreaks and ease restrictions, with most venues reopening (albeit on a restricted basis). More significant jumps in the share price in November 2020 and February 2021 were associated with media speculation and subsequent confirmation by Tabcorp that it had received several unsolicited approaches and proposals for the Wagering & Media business.

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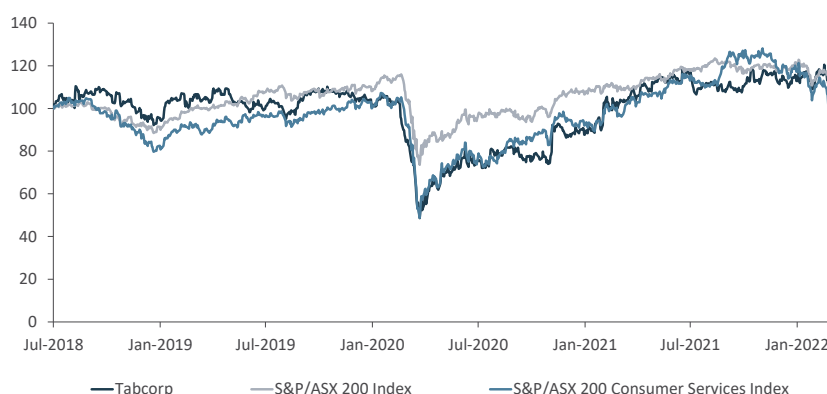


Following Tabcorp's announcement that it would undertake a strategic review of structural and ownership options and the receipt of several competing offers for the Wagering & Media business, the share price reached a high of \$5.30 in mid June 2021. The decline in the share price in early July 2021 followed announcement of the Demerger (rather than a control transaction involving the Wagering & Media business) but would have also reflected the reimposition of COVID-19 related restrictions in New South Wales and Victoria. Since announcement of the Demerger on 5 July 2021, Tabcorp shares have traded upwards, assisted by the announcement of a rebound in FY21 operational results (for the Lotteries & Keno and Wagering & Gaming businesses) and Tabcorp's inclusion in the S&P/ASX 50 index from mid September 2021. Over this period (up to mid-March 2022), Tabcorp shares have traded in the range \$4.57-\$5.45 and at a volume weighted average price ("VWAP") of \$5.01.

Tabcorp is a relatively liquid stock with no restrictions on its free float. Average weekly volume over the twelve months prior to 5 July 2021 (announcement of the Demerger) represented approximately 2% of average shares on issue or annual turnover of around 90% of total average issued capital.

Tabcorp is one of the 50 largest companies listed on the ASX, with a current market capitalisation of more than \$11 billion. It is a member of various indices including the S&P/ASX 50, S&P/ASX 100 and S&P/ASX 200, where its weighting ranges from 0.5-0.8%. It is also the second largest member of the S&P/ASX 200 Consumer Services index (after Aristocrat Leisure Limited) with a weighting of 13%. The following graph illustrates the performance of Tabcorp shares over the past three and a half years (since July 2018) relative to the S&P/ASX 200 index and the S&P/ASX 200 Consumer Services index:

TABCORP VS S&P/ASX 200 INDEX VS S&P/ASX 200 CONSUMER SERVICES INDEX
JULY 2018 TO MARCH 2022



Source: IRESS

Since July 2018, Tabcorp shares have:

- up until mid-February 2020, generally traded in line with the S&P/ASX 200 index and the S&P/ASX 200 Consumer Services index. This performance is not unexpected given the key driver of Tabcorp's performance, particularly its Wagering & Media business, is linked to the performance of the economy generally;
- underperformed S&P/ASX 200 from late February 2020 as Tabcorp suffered a greater adverse reaction than market as a whole to the COVID-19 pandemic. However, Tabcorp's reaction was consistent with that of S&P/ASX Consumer Services index. The S&P/ASX Consumer Services index is a reasonably

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broad index and its constituents include companies involved in hotels, restaurants and other leisure facilities, media production and services and consumer retailing and services, all of which were similarly impacted by the COVID-19 pandemic. Tabcorp's relative performance recovered back to S&P/ASX 200 index levels by mid 2021 (i.e. Tabcorp shares outperformed the S&P/ASX 200 index over this period), predominantly due to the increase in the share price associated with media speculation and subsequent confirmation by Tabcorp that it had received several unsolicited approaches and proposals for the Wagering & Media business; and

- briefly underperformed relative to the S&P/ASX 200 Consumer Services index from August 2021, although this underperformance was related to company specific factors positively impacting the share prices of other index constituents, some of which operate in different sectors to Tabcorp, in late August/early September 2021, including The Star Entertainment Group Limited (better than expected FY21 results), Flight Centre Travel Group Limited (FY21 results showing strong recovery in the corporate sector and in the United States and strategic expansion within the Asian corporate travel sector), Domino's Pizza Enterprises Limited (strong FY21 results and increased dividend), Webjet Limited (positive trading update), IDP Education Limited (acquisition in India and sell down and in specie distribution of remaining shareholding by major shareholder) and Collins Foods Limited (positive reaction to the FY21 Annual General Meeting). The share prices of each of these companies increased by around 20% or more in late August/early September 2021, compared to a relatively flat Tabcorp share price over the same period. Post late August/early September 2021, Tabcorp shares performed in line with the S&P/ASX 200 Consumer Services index and, since November 2021, have outperformed the index.

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4 Background on Demergers and Spin-offs

A “demerger” or “spin-off” is generally understood to be a pro-rata transfer of shares in a wholly owned subsidiary to shareholders of the parent company. The broad principle underlying demergers is that sharemarkets do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets or there is some other strategic rationale. Investors can achieve diversification themselves and it is generally accepted that investors prefer the investment flexibility resulting from the separation of assets into separate companies that have relatively focused businesses. Consequently, demergers have typically been undertaken to create investment opportunities with a single geographic focus, a single industry focus or a single product focus. However, demergers may be undertaken for a variety of strategic reasons.

A pure demerger involves the transfer to existing shareholders of 100% of the shares in the subsidiary and there is no dilution of equity or transfer of ownership from the current shareholders. There are a number of variants that are also loosely referred to as demergers including:

- a partial demerger, where the parent distributes a portion of its interest in the subsidiary’s shares to existing shareholders and either retains the remaining shares for a period or sells them immediately through an initial public offering (“IPO”) or other sale process. The portion distributed could be a majority (>50%) or minority (<50%) interest. The carved-out subsidiary has its own board, management and financial statements while the parent company may provide strategic direction or central resources. The level of influence by the parent will reflect the interest retained and other factors;
- an equity carve-out, where the parent company sells a portion of a subsidiary’s shares (usually less than 50%) through an IPO. Similar to a partial demerger, the carved-out subsidiary will have its own board, management and financial statements while the parent company provides strategic direction and central resources; and
- a divestiture IPO, where 100% of the shares in the subsidiary are sold to the public, often with some kind of preferential rights offered to the parent company shareholders.

The use of demergers as a method of divesting a subsidiary has become a common feature of equity markets. Demergers implemented in Australia from 2010 include:

SELECTED RECENT DEMERGERS IN AUSTRALIA⁴⁶

| DATE ⁴⁷ | PARENT | BUSINESS/ MARKET FOCUS | DEMERGED ENTITY | BUSINESS/ MARKET FOCUS | % DEMERGED |
|--------------------|-------------------------------|--|---------------------------|---|---------------|
| Oct 2021 | Liontown Resources Limited | Mineral exploration (lithium) | Minerals 260 Limited | Mineral exploration (gold, nickel, copper) | 100% |
| Jul 2021 | Sunrise Energy Metals Limited | Mineral exploration | Clean TeQ Water Limited | Water treatment solutions | 100% |
| Jun 2021 | Woolworths Group Limited | Food and everyday needs | Endeavour Group Limited | Retail drinks and hospitality | 70.8% |
| Nov 2020 | Home Consortium | Property ownership, development and management (diversified) | HomeCo Daily Needs REIT | Property ownership (convenience focused assets) | 50% |
| Oct 2020 | Iluka Resources Limited | Mineral sands and rare earths | Deterra Royalties Limited | Resources (iron ore) royalty | 80% |

⁴⁶ The following demergers have been excluded from the table:

- a number of small demergers involving companies primarily in the resources sector;
- the June 2013 demerger of the publishing business of News Corporation (now renamed Twenty-First Century Fox Inc.) from News Corporation as both are United States listed companies with secondary listings on the ASX; and
- Reckon Limited’s August 2017 demerger of GetBusy plc on the AIM Market of the London Stock Exchange which also involved a £3 million capital raising for working capital purposes.

⁴⁷ Implementation date (i.e. when trading commenced as separate entities).

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SELECTED RECENT DEMERGERS IN AUSTRALIA⁴⁶ (CONT)

| DATE ⁴⁷ | PARENT | BUSINESS/ MARKET FOCUS | DEMERGED ENTITY | BUSINESS/ MARKET FOCUS | % DEMERGED |
|--------------------|---|---|--|--|--------------------|
| Oct 2020 | Cassini Resources Limited | Base and precious metals development and exploration | Caspin Resources Limited | Mineral exploration | 100% |
| Jul 2020 | Alkane Resources Limited | Gold production and exploration | Australian Strategic Materials Limited | Critical materials | 100% |
| Jun 2020 | TPG Telecom Limited | Telecommunication services | Tuas Limited | 4G mobile network in Singapore | 100% |
| Mar 2020 | GrainCorp Limited | Grain handling, storage, trading and processing | United Malt Group Limited | Commercial malt manufacture | 90% |
| Oct 2019 | Cardno Limited | Consulting | Intega Group Limited | Quality testing and measurement | 100% |
| Jul 2019 | Gindalbie Metals Limited | Iron ore exploration | Coda Minerals Limited | Copper-cobalt exploration | 100% |
| Nov 2018 | Wesfarmers Limited | Conglomerate | Coles Group Limited | Supermarket, liquor, convenience, financial services businesses | 85% |
| Jun 2018 | Westfield Corporation | Shopping centre development, management and ownership | OneMarket Limited | Retail technology | 100% ⁴⁸ |
| Nov 2017 | Fairfax Media Limited | Media | Domain Holdings Australia Limited | Online property | 40% |
| Dec 2016 | Metals X Limited | Base metals | Westgold Resources Limited | Gold | 100% |
| Jun 2016 | APN News & Media Limited (renamed HT&E Limited) | Media and entertainment (Australia) | NZME Limited | Media and entertainment (New Zealand) | 100% |
| Feb 2016 | National Australia Bank Limited | Banking (Australia and New Zealand) | CYBG plc | Banking (United Kingdom) | 75% |
| May 2015 | BHP Billiton | Resources | South32 Limited | Metals and mining | 100% |
| Dec 2013 | Amcor Limited | Flexible and rigid plastics packaging (global) | Orora Limited | Diversified packaging (Australasia) and packaging distribution (North America) | 100% |
| Dec 2013 | Brambles Limited | Pallet and container pooling solutions | Recall Holdings Limited | Document management | 100% |
| Jun 2011 | Tabcorp Holdings Limited | Wagering, gaming and keno | Echo Entertainment Group Limited | Casinos | 100% |
| May 2011 | Foster's Group Limited | Beer | Treasury Wine Estates Limited | Wine | 100% |
| Jul 2010 | Orica Limited | Mining services, chemicals | DuluxGroup Limited | Coatings and home improvement products | 100% |
| Jul 2010 | Arrow Energy Limited | Coal seam gas (Australia) | Dart Energy Limited | Coal seam gas (international) | 100% |
| Jan 2010 | Macquarie Infrastructure Group (renamed Intoll Group) | Toll roads | Macquarie Atlas Roads Group | Toll roads | 100% |

Source: IRESS

⁴⁸ While 100% of OneMarket Limited was demerged, OneMarket Limited only owned 90% of the OneMarket business with the remaining 10% retained by Westfield Corporation and acquired by Unibail-Rodamco SE as part of its acquisition of Westfield Corporation.

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Notably, the majority of demergers in Australia have involved distributing 100% of the subsidiary entity and in most other cases the balance was a minority interest that was either sold through other means or retained for a limited period⁴⁹. However, partial demergers have occurred in Australia and other jurisdictions.

There has also been a number of high profile divestiture IPOs in Australia from 2010 including:

SELECTED RECENT DIVESTITURE IPOs IN AUSTRALIA

| DATE | PARENT | BUSINESS/ MARKET FOCUS | DEMERGED ENTITY | BUSINESS/ MARKET FOCUS | % DIVESTED |
|----------|-----------------------|---|---|-----------------------------------|---------------|
| Dec 2012 | Woolworths Limited | Retail | Shopping Centres Australasia Property Group | Property ownership | 100% |
| Dec 2011 | Fairfax Media Limited | Media | Trade Me Group Limited | Online classifieds in New Zealand | 34% |
| Dec 2010 | Westfield Group | Shopping centre development, management and ownership | Westfield Retail Trust | Property ownership | 100% |

Source: IRESS

The outcome is similar whether the transaction is undertaken by way of a distribution of shares or an IPO. For example, Fairfax Media Limited's IPO of a 34% interest in Trade Me Group Limited in December 2011 created a standalone company (albeit controlled by Fairfax Media until it sold its residual 51% interest in December 2012).

The benefits typically cited for demergers largely revolve around the differences in business focus or strategic direction between the parent company and the demerged entity. However, at the same time there are a number of disadvantages, potential risks and costs associated with demergers. The primary issues raised are listed below:

ISSUES ASSOCIATED WITH DEMERGERS

| ADVANTAGES/BENEFITS | DISADVANTAGES/RISKS/COSTS |
|--|---|
| <ul style="list-style-type: none"> transparency investor attraction and interest enhanced flexibility to shareholders clarity in capital allocation flexibility in raising capital independence and strategic flexibility to undertake growth initiatives better targeted incentives and management/board focus | <ul style="list-style-type: none"> loss of synergies transaction costs duplication of corporate costs increased financing costs loss of diversification and scale reduced sharemarket liquidity and rating in key indices |

⁴⁹ In relation to the less than 100% Australian demergers from 2010:

- Woolworths Group Limited owned an 85.4% interest in Endeavour Group Limited, with Bruce Mathieson Group holding the remaining 14.6% interest. Woolworths Group Limited demerged a 70.8% interest in Endeavour Group Limited and retained the remaining 14.6% interest. There are no restrictions on Woolworths Group Limited's ability to sell its shareholding;
- Home Consortium retained a 50% interest in HomeCo Daily Needs REIT at demerger which was subject to a one year voluntary escrow arrangement. In addition, in conjunction with the demerger, HomeCo Daily Needs REIT issued 228 million units to raise \$300 million, reducing the interests of Home Consortium and Home Consortium shareholders to 27% each;
- Iluka Resources Limited retained a 20% interest in Deterra Royalties Limited at demerger as a long term investment although there are no restrictions on its ability to sell this shareholding (e.g. escrow arrangements);
- GrainCorp Limited retained a 10% interest in United Malt Group Limited at demerger although there are no restrictions on its ability to sell this shareholding (e.g. escrow arrangements);
- Wesfarmers Limited retained a 15% interest in Coles Group Limited at demerger on the basis that it provided an alignment of interests (given ongoing contractual arrangements and joint ownership of *flybys*) and demonstrated its confidence in the business. Wesfarmers Limited sold a 4.9% interest in Coles Group Limited on market in February 2020 and sold a further 5.2% interest on market in March 2020, reducing its remaining interest to 4.9%;
- Fairfax Media Limited retained a controlling 60% interest in Domain Holdings Australia Limited at separation; and
- National Australia Bank sold the residual 25% interest in CYBG plc via an IPO at the time of the demerger.

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There is little definitive evidence as to whether or not demergers have been successful in enhancing shareholder value, largely because it is not possible to measure what the share prices would have been had the demergers not occurred (i.e. there is no counterfactual) and most of the academic studies relate to demergers in the United States or in Europe. Some of the evidence and views that have emerged are summarised below:

- several studies⁵⁰ have found that there was a positive impact on the share price (of around 3-6%) at the time of announcement (with a similar rise occurring where there was a targeted share or equity carve-out). One study⁵¹ found that the positive impact on share price is lower in Australia (2.93%) than studies indicate for the United States market. Another study has shown that, in some circumstances, there is no decline in share price even if the demerger is ultimately withdrawn⁵²;
- several studies⁵³ have also found significantly positive abnormal returns over an extended period (of up to three years) following the demerger for the demerged company, the parent and the demerged company/parent combination. On the other hand, one study⁵⁴ found that demergers only delivered long term value benefits for the demerged subsidiary (and not the parent) and another study⁵⁵ found significant evidence that spin-offs create more value than carve-outs. In particular, recent studies^{54,56} report weak evidence for long term wealth effects when using more refined measuring techniques;
- one analyst report⁵⁷ found that following a demerger, where the resulting entities are relatively similar in size, both entities generally underperform the market for a period of approximately six months. In the long term however, both stocks tend to outperform the market (implying that the market awaits a reporting period before committing to the new entities). In comparison, where the subsidiary is much smaller than the parent, the demerged entity is typically a strong outperformer while the parent moves with the market; and
- some of the reasons found to be associated with positive abnormal returns have included:
 - corporate restructuring activity⁵⁸. Both the demerged subsidiary and the parent experience an unusually high incidence of takeovers in comparison to their control group comparable companies. The abnormal performance is limited to companies involved in takeover activity. The findings suggest that demergers provide a low-cost method of transferring control of corporate assets to bidders who are able to create greater value. This benefit will not apply in the case of partial spin-offs where the parent company retains control of the spun out entity;

⁵⁰ See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, "Breaking up is good to do", The McKinsey Quarterly, 1999 Number 1; Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003; UBS Investment Research, "Q-Series: Spin-offs and restructures", UBS Limited, 14 April 2005, Roger Rüdisüli, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005, CIMB Quantitative Research, "Spin-off Candidates", CIMB Securities (Australia) Ltd, September 2013, S. Zweiphenning, "Corporate Spin-Offs in the United Kingdom", Masters Thesis, Tilburg University, August 2014.

⁵¹ D. Chai, K. Lin and C. Veld, "Value-creation through spin-offs: Australian evidence", Australian Journal of Management, Vol 43, 2017.

⁵² K. Ali, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

⁵³ See for example: J. Wyatt, "Why Spinoffs Work for Investors", Fortune, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993, T.A. John, "Optimality of Spin-outs and Allocation of Debt" Journal of Financial and Quantitative Analysis, 1993, B.J. Hollowell, "The Long-Term Performance of Parent Firms and their Spin-offs", The International Journal of Business and Finance Research, Volume 3, No.1, 2009 and Morgan Stanley Asia Insight, "BHP Billiton Limited: A Detailed Look at South32", Morgan Stanley, April 2015.

⁵⁴ Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003.

⁵⁵ Roger Rüdisüli, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005.

⁵⁶ S. Zweiphenning, "Corporate Spin-Offs in the United Kingdom", Masters Thesis, Tilburg University, August 2014, N. Zakaria and G.C. Arnold, "Spin-off and Value Creation: The Case of Malaysia", 2014 and D. Boreiko and M. Murgia, "European Spin-offs: Origin, Value Creation, and Long-Term Performance", Draft Paper, Free University of Bolzano-Bozen, April 2013.

⁵⁷ Macquarie Research Equities, "Australian Gas Light: Acquisitions, Restructures and Au Revoirs", 1 November 2005.

⁵⁸ P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993.

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- mitigation of information asymmetry⁵⁹. The hypothesis was that value would be enhanced if the demerged subsidiary is able to convey more information about its operating efficiency and future prospects when it is a separate entity than when it is part of a larger combined unit. The findings were that firms that engage in demergers have higher levels of information asymmetry compared to their industry and size matched counterparts and the information problems decrease significantly after the demerger as analyst scrutiny increases. The relationship is more pronounced for those companies that demerge related subsidiaries;
- increased management and board focus⁶⁰ translating into better operating and sharemarket performance. The abnormal returns for focus-increasing demergers are significantly larger than the corresponding abnormal returns for the non-focus-increasing demergers. A focus-increasing demerger reduces the diversity of assets under management and thereby increases the efficiency of management. However, an analysis of non-focus increasing demergers showed that companies are likely to undertake these demergers to separate underperforming subsidiaries from their parents with efficiency not being a major motivating factor. Indeed, positive returns after the demerger have been found to be due to pre-announcement sharemarket weakness;
- improved financing decisions⁶¹. Conglomerates tend to divide resources evenly between divisions thus investing too little in strong industries and too much in weaker industries. The study showed that capital expenditure showed greater sensitivity to changes in growth opportunities after a division became independent; and
- rebalancing of shareholdings by investors⁶². The study indicates that the ratio of continuing investors who choose to only hold one of the entities after spin-off is a significant predictor of abnormal returns. Therefore, it is differences in the opinions of shareholders about the relative prospects of the demerged entities which leads to excess returns rather than the business impacts of the transaction. This outcome is consistent with the thesis that separation will mean that each company will attract investors that are likely to value it the highest.

However, while finding a significant spin-off announcement effect, a recent study⁵¹ concludes that none of these factors offers a solid explanation for the effect in Australia.

Grant Samuel has reviewed the relative performance of Australian companies that have undertaken demergers since 2000. While an admittedly imperfect basis of analysis and somewhat crude (given the wide range of factors that influence share prices), this review tends to support the thesis that demergers enhance shareholder value, particularly having regard to sharemarket performance one to two years after the demerger.

The following graph summarises the combined share price performance of the parent company and the demerged entity relative to the S&P/ASX 200 index, from last close prior to announcement to three months, one year and two years after the date the demerged entity was listed on the ASX for demergers from 2000 (with certain exclusions noted below the chart):

⁵⁹ S. Krishnaswami and V Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" *Journal of Financial Economics*, Volume 53, No. 1, July 1999.

⁶⁰ See for example: H. Desai and P.C. Jain, "Firm performance and focus: long-run stock market performance following spin-outs", *Journal of Financial Economics*, Volume 54, No. 1, October 1999 and L. Daley, V. Mehrotra and R. Sivaremar, "Corporate Focus and Value Creation: Evidence from Spinoffs", *Journal of Financial Economics*, Volume 45, 1997.

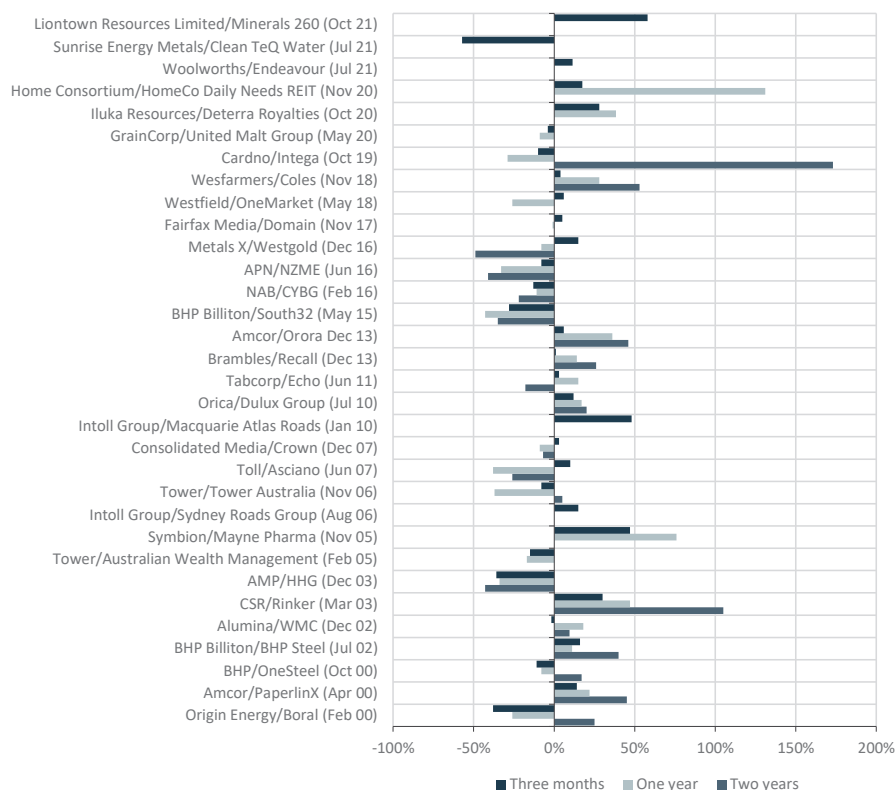
⁶¹ R. Gertner, E. Powers and D. Scharfstein, "Learning About Internal Capital Markets From Corporate Spinoffs", November 2000.

⁶² T. Bhandari, "Differences of Opinion and Stock Prices: Evidence from Spin-Offs and Mergers", Draft Doctoral Dissertation at MIT Sloan School of Management, November 2013.

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RETURNS OF SELECTED RECENT DEMERGERS VS S&P/ASX 200 INDEX
(MEASURED FROM LAST CLOSE BEFORE ANNOUNCEMENT TO PERIOD AFTER LISTING)



Source: IRESS

- Notes: (1) The share price performance from last close before announcement to listing is for the parent company. The share price performance subsequent to listing is the aggregated performance of the parent company and the demerged entity.
- (2) No returns are shown in the chart for:
- Cassini Resources/Caspi Resources as Cassini Resources was acquired by OZ Minerals Limited on demerger;
 - Alkane Resources/ASM as the ASM share price has increased substantially since the demerger on the back of production success. The three month and one year returns were 470% and 1,161% respectively;
 - TPG Telecom/Tuas as the demerger of Tuas was undertaken in conjunction with the merger of TPG Telecom with Vodafone Hutchison Australia Limited;
 - Gindalbie Metals/Coda Minerals as Gindalbie Metals was acquired by Angang Group Hong Kong (Holdings) Limited on demerger;
 - Arrow Energy/Dart Energy as Arrow Energy was acquired by PetroChina Co. Ltd and Royal Dutch Shell plc on demerger; and
 - Foster's Group/Treasury Wines as Foster's Group received a takeover offer from SABMiller plc within two months of the demerger.
- (3) No one and two year returns are shown in the chart for:
- Liontown Resources/Minerals 260 which commenced trading separately on 12 October 2021;
 - Sunrise Energy Metals/Clean TeQ Water which commenced trading separately on 2 July 2021;
 - Woolworths/Endeavour which commenced trading separately on 24 June 2021;
 - Intoll Group/Macquarie Atlas Roads as Intoll Group was acquired by CPPIB within one year of the demerger; and
 - Intoll Group/Sydney Roads Group as Sydney Roads Group was acquired by Transurban Group within one year of demerger.
- (4) No two year returns are shown in the chart for:
- Home Consortium/HomeCo Daily Needs REIT which commenced trading separately on 23 November 2020;
 - Iluka Resources/Deterra Royalties which commenced trading separately on 23 October 2020;
 - Graincorp/United Malt Group which commenced trading separately on 24 March 2020;
 - Westfield/Onemarket as Onemarket was delisted from the ASX on 2 December 2019;
 - Fairfax Media/Domain as Fairfax Media was acquired by Nine Entertainment Co. Holdings Limited within two years of the separation;
 - Symbion/Mayne Pharma as Mayne Pharma was acquired by Hospira Inc within two years of the demerger; and
 - Tower/Australian Wealth Management as Tower demerged a second entity (Tower Australia) within two years of the demerger.

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The above analysis indicates that the combined performance of demerged entities from announcement to immediately post demerger has been mixed, but that demerged entities have generally outperformed the market within two years of listing⁶³. However, this analysis must be treated with caution as, at best, it provides only a partial analysis of the market value consequences of demergers. In particular, it:

- does not fully reflect returns to shareholders following demerger as it either excludes entirely or only partially includes demergers where either the parent or demerged entity was acquired within two years of the demerger (e.g. Cassini Resources/Caspin Resources, Gindalbie Metals/Coda Minerals, Fairfax Media/Domain, Arrow Energy/Dart Energy, Foster's Group/Treasury Wines). In these cases, shareholders also benefited from receipt of control premia;
- does not reflect that some of the entities were either acquired (Cardno, Intega, Recall, Rinker, WMC Resources) or were involved in other corporate activity (Tower Australia, Australian Wealth Management) more than two years after, but within 3-4 years, of their demergers; and
- measures performance against an overall market index. The results may differ if performance is measured against a relevant sector index.

Furthermore, in many cases, significant underperformance or overperformance in the two years after listing reflects overall market conditions or factors specific to the demerging companies or the industries in which they operate and may not be attributable to the demerger itself. For example:

- AMP/HHG was impacted by a substantial write down in certain assets and a capital raising at a significant discount which were announced in conjunction with the demerger. The returns from this demerger measured from listing (rather than announcement) are positive;
- Tower/Tower Australia was impacted by the underperformance of the insurance sector relative to the market during 2007;
- Toll/Asciano was impacted by Asciano's need to reduce high gearing levels following the global financial crisis in 2008/2009;
- Consolidated Media/Crown was impacted by the underperformance of the media industry relative to the market following the global financial crisis in 2008/2009;
- Tabcorp/Echo was impacted by various legal and regulatory decisions relating to gambling and casino operations as well as competitive concerns;
- BHP Billiton/South32 was impacted by significant falls in commodity prices;
- NAB/CYBG was impacted by the 25% decline in NAB's share price from announcement of the demerger of CYBG in May 2015 to implementation in February 2016 as a result of a dilutive capital raising and the significant correction in global equities in August 2015;
- APN/NZME was impacted by the underperformance of the legacy media sector, the termination on regulatory grounds of the proposed merger of NZME with Stuff Limited (previously Fairfax New Zealand Limited) and the acquisition proposal received for NZME's Adshel business;
- MetalsX/Westgold was impacted by a sharp decline in the copper and gold prices in second half of 2018;
- the Wesfarmers/Coles two year returns reflect the relatively limited impact of the COVID-19 pandemic on Coles' share price in particular in February/March 2020 (compared to the market as a whole); and
- the significantly positive two year returns for Cardno/Intega largely reflect corporate activity at both entities. Cardno announced a strategic review of the business in June 2021 (following several

⁶³ This is supported by analysis by Goldman Sachs Australia in "Equity Strategy: Reviewing Large Cap Demerger Strategies", 15 February 2011; Bank of America Merrill Lynch in "Delivering Returns in Tough Times", 29 May 2013, Macquarie Securities (Australia) Limited in "Demergers: Breaking Up is Hard to Do", 14 June 2013 and CIMB Securities (Australia) Ltd in "Spin-off Candidates", 3 Sept 2013.

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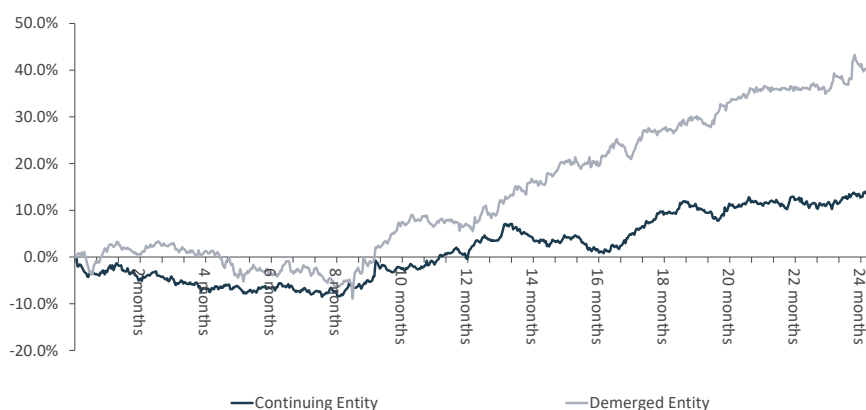


unsolicited approaches from interested parties) which resulted in the US\$500 million sale of its Americas and Asia Pacific Consulting Divisions in October 2021. At the same time, Intega announced a strategic review which culminated in the October 2021 announcement of the proposed acquisition of Intega by Kiwa N.V at \$0.90 per share (a 58% premium to Intega's share price the day prior to announcement). Intega shareholders voted overwhelmingly in favour of the acquisition at a scheme meeting on 6 December 2021.

In addition, the one year returns for Home Consortium/HomeCo Daily Needs REIT were positively impacted by the establishment of a new HealthCo REIT by Home Consortium (\$650 million equity raising), the successful \$265 million equity raising by HomeCo Daily Needs REIT and a significant increase in assets under management of both entities, and the three month returns for Sunrise Energy Metals/Clean TeQ Water Limited reflect poor operating results for FY21 (largely driven by higher corporate costs).

Another way to assess the performance of demergers is to aggregate the data for all the entities. This analysis also indicates a significant level of outperformance, albeit over time. While the outperformance over the S&P/ASX 200 index is inconsequential over the first nine months post demerger, the benefits then begin to be steadily realised over the following 15 months. The relative outperformance over the S&P/ASX 200 index for the two year period is approximately 40% for the demerged entities and 15% for the continuing entities:

AGGREGATE DEMERGER PERFORMANCE RELATIVE TO S&P/ASX 200 INDEX
(MEASURED FROM DATE DEMERGER IMPLEMENTED)



- Source: S&P Global Market Intelligence, Bloomberg and Grant Samuel analysis
- Notes: (1) The relative performance calculation is based on the relative returns between the S&P/ASX 200 index and the average closing share prices of Continuing Entity and Demerged Entity measured from the date the demerger was implemented.
- (2) No returns are shown in the chart for demergers that do not have two years of post demerger data i.e.:
- Liontown Resources/Minerals 260 which commenced trading separately on 12 October 2021;
 - Sunrise Energy Metals/Clean TeQ Water which commenced trading separately on 2 July 2021;
 - Woolworths/Endeavour which commenced trading separately on 24 June 2021;
 - Home Consortium/HomeCo Daily Needs REIT which commenced trading separately on 23 November 2020;
 - Iluka Resources/Deterra Royalties which commenced trading separately on 23 October 2020;
 - Cassini Resources/Caspian Resources as Cassini Resources was acquired by OZ Minerals Limited on demerger;
 - TPG Telecom/Tuas as the demerger of Tuas was undertaken in conjunction with the merger of TPG Telecom with Vodafone Hutchison Australia Limited;
 - Graincorp/United Malt Group which commenced trading separately on 24 March 2020;
 - Gindalbie Metals/Coda Minerals as Gindalbie Metals was acquired by Angang Group Hong Kong (Holdings) Limited on demerger;
 - Westfield/Onemarket as Onemarket was delisted from the ASX on 2 December 2019;
 - Arrow Energy/Dart Energy as Arrow Energy was acquired by PetroChina Co. Ltd and Royal Dutch Shell plc on demerger;
 - Foster's Group/Treasury Wines as Foster's Group received a takeover offer from SABMiller plc within two months of the demerger.
 - Intoll Group/Sydney Roads Group as Sydney Roads Group was acquired by Transurban Group within one year of the demerger;
 - Intoll Group/Macquarie Atlas Roads as Intoll Group was acquired by CPPIB within one year of the demerger;
 - Fairfax Media/Domain as Fairfax Media was acquired by Nine Entertainment Co. Holdings Limited within two years of the separation;
 - Tower/Australian Wealth Management as Tower demerged a second entity (Tower Australia) within two years of the demerger; and
 - Symbion/Mayne Pharma as Mayne Pharma was acquired by Hospira Inc within two years of the demerger.

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On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods⁶⁴. Conglomerate structures do have benefits including financial size and strength, better liquidity and higher index rating, lower earnings volatility and risk (if business units are not correlated in terms of economic cyclicality), greater depth of management and lower cost of capital (depending on other factors).

While the balance of evidence does favour demergers as adding value, the alternate views underline the fact that there is no universal structure for businesses. While some demergers create substantial value, others do not. In the end, the success of demergers depends on the specific circumstances of each case.

⁶⁴ Boston Consulting Group, "Conglomerates Reports", 2002.

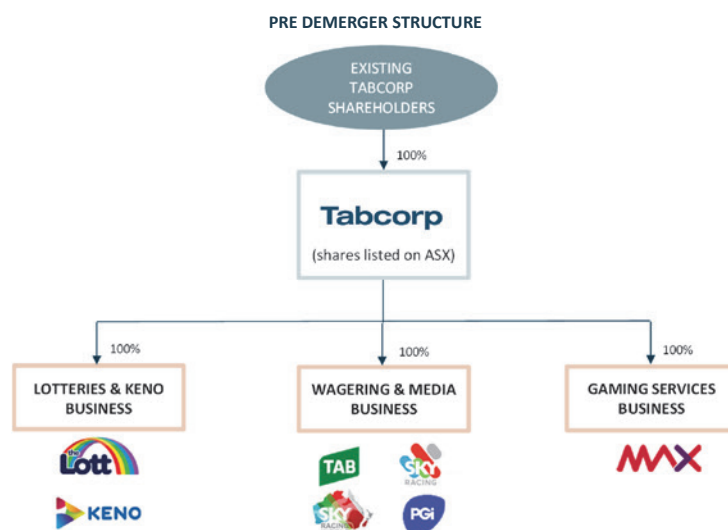
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5 Impact of the Demerger

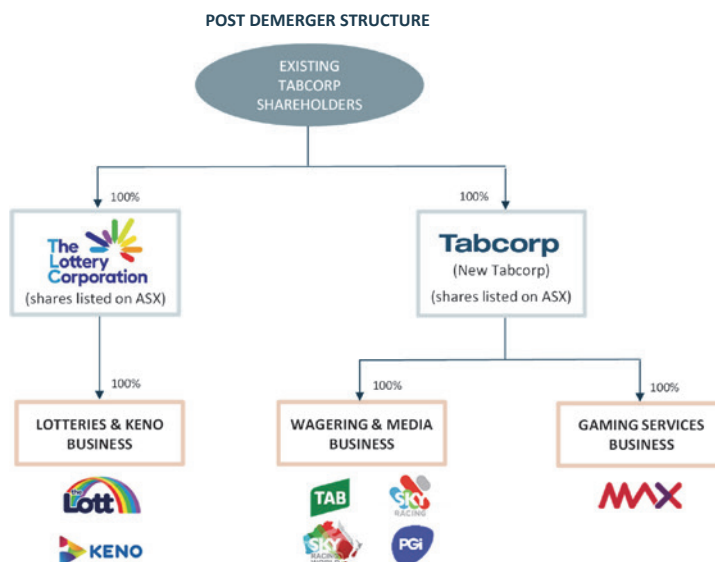
5.1 Structure and Ownership

The structure and ownership of Tabcorp prior to the Demerger is shown below:



Source: Tabcorp

The structure and ownership of Tabcorp immediately after the Demerger is shown below:



Source: Tabcorp

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Following the Demerger, the relative ownership interest held by each Tabcorp shareholder (other than ineligible overseas shareholders and selling shareholders) in The Lottery Corporation and New Tabcorp will be equal to their ownership interest in Tabcorp prior to implementation of the Demerger.

The Board and executive leadership team of The Lottery Corporation and New Tabcorp will be standalone, and the companies will operate at arm's length. However, there will be a number of ongoing commercial arrangements in place, including the Transitional Services Agreement and certain commercial arrangements related to the internal restructure (see Section 1 for details).

5.2 The Lottery Corporation

5.2.1 Operations and Strategy

If the Demerger is implemented, The Lottery Corporation will be the leading lottery operator and Keno licensee in Australia with \$3.2 billion in pro forma FY21 revenue and pro forma FY21 EBITDA of \$611 million.

The Lottery Corporation will have two key divisions:

- **Lotteries**, Australia's leading lottery operator with national scale (through exclusive and/or long dated licences and approvals to operate in all Australian States and Territories excluding Western Australia), a portfolio of recognised brands and a track record of achieving growth through product innovation. The Lottery Corporation is one of the highest performing lottery businesses globally (based on sales per capita⁶⁵); and
- **Keno**, the licensee of Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory, including digital approvals in the Australian Capital Territory and in Victoria (from 15 April 2022).

The Lottery Corporation is an omni-channel operator with a distribution network of 7,272¹⁴ retail outlets (3,863 lottery outlets and 3,409 Keno venues) and digital platforms (online using various apps, although Keno is only online in certain jurisdictions) as well as reselling arrangements with third parties (Jumbo as well as four other lotteries resellers). The Lottery Corporation has strong and growing digital penetration, with digital share of turnover at 36.7% for Lotteries and 22.4% for Keno in 1HY22. Digital sales of lotteries products offer margin upside compared with retail sales. Customers are also more valuable if they engage in both retail and digital channels rather than only one channel. The Lottery Corporation has a significant and broad customer base, with approximately 46% of the adult population (8.3 million) having purchased a lottery product over the last 12 months⁶⁶ and 3.9 million registered Lotteries customers at 31 December 2021.

Lotteries represents the vast majority of revenue. The performance of the Lotteries business is underpinned by its long dated licences and approvals and a substantial proportion of revenue being generated from base games:

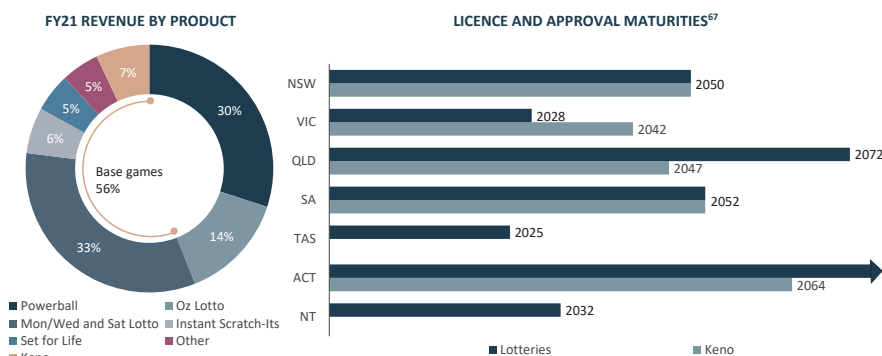
⁶⁵ The Lottery Corporation has the third highest draw lottery game sales per capita worldwide (Source: La Fleur's Almanac 2021), having sold more than 600 million lotteries and Keno tickets in FY21 and with average annual growth in overall turnover of 8.4% from FY17 to FY21.

⁶⁶ Source: Roy Morgan Gambling Monitor October 2020 – September 2021. Based on the percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operation and the Australian adult population at September 2001, based on the Australian Bureau of Statistics monthly estimates.

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THE LOTTERY CORPORATION – KEY ATTRIBUTES



Source: Demerger Booklet, Grant Samuel analysis

Despite arguably being a discretionary purchase, The Lottery Corporation exhibits annuity-like characteristics, with the key drivers of growth being macroeconomic factors (population growth, growth in household disposable income, changes in propensity to gamble) as well as price inflation, availability of distribution and product renewal to maintain consumer appeal. While the Keno business is more sensitive to macroeconomic factors and its performance is closely related to in-venue dynamics, this business represents less than 10% of revenue.

The Lottery Corporation has a track record of achieving organic growth through product innovation and active game portfolio management⁶⁸. It has achieved reasonably consistent growth in revenue and steady and predictable earnings and margins through economic cycles (including the COVID-19 pandemic), underpinned by consistent demand and supported by a high proportion of revenue generated from base games (compared to international peers). Revenue from base games is more stable and reliable and results in predictable revenue streams from loyal consumers. The Lottery Corporation generates around 56% of revenue from base games. Revenue from jackpot games is more variable as high jackpots attract higher turnover volumes as a result of one off consumers. The Lottery Corporation also exhibits strong and resilient free cash flow generation, has low capital intensity (pro forma stay in business capital expenditure is 5% of pro forma FY21 EBITDA) and upside potential from the continuing increase in digital penetration and domestic and international growth opportunities.

The Lottery Corporation's strategy framework will focus on, among other things:

- innovating the game portfolio;
- enhancing the customer experience;
- increasing digital penetration as part of the omni-channel strategy;
- evolving the retail footprint through targeted growth in selected channels;
- pursuing new licence and acquisition opportunities;
- maintaining strong industry and regulatory engagement; and

⁶⁷ The Australian Capital Territory lotteries licence is indefinite unless revoked. The Tasmanian lotteries licence operated under renewable five year permits linked to Victorian (June 2025) and Queensland (June 2023) licences. The current Victorian Keno licence expires in April 2022. On 23 February 2022, Tabcorp was awarded a 20 year non-exclusive retail and digital Keno licence in Victoria commencing on 15 April 2022 for an upfront payment of \$25 million. The New South Wales Keno licence is operated as co- licensee with ClubKeno Holdings Pty Ltd.

⁶⁸ Over the past 11 years, The Lottery Corporation has implemented 14 games initiatives including price increases, matrix changes and prize division restructures across its base and jackpot games.

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- further building on community contribution.

The future strategy of Lottery Corporation will ultimately be a matter for newly formed The Lottery Corporation Board (see Section 5.2.5) and executive leadership team to develop over time and is subject to change.

A detailed description of The Lottery Corporation is set out in Sections 3.1 to 3.6 of the Demerger Booklet.

5.2.2 Earnings and Dividends

The pro forma historical financial performance of The Lottery Corporation from FY19 to FY21 and for 1HY22 is summarised below:

THE LOTTERY CORPORATION – SUMMARISED PRO FORMA HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

| | FY19 PRO FORMA | FY20 PRO FORMA | FY21 PRO FORMA | 1HY22 PRO FORMA |
|---|-------------------|-------------------|-------------------|----------------------|
| Lotteries | 2,642 | 2,726 | 2,951 | 1,665 |
| Keno | 223 | 191 | 255 | 119 |
| Other ⁶⁹ | 3 | 3 | - | - |
| Revenue | 2,868 | 2,920 | 3,206 | 1,784 |
| EBITDA¹² | 507 | 536 | 611 | 353 |
| Depreciation, amortisation and impairment | (68) | (83) | (80) | (40) |
| EBIT⁸ | 439 | 453 | 531 | 313 |
| Net finance costs | | | (82) | (41) |
| Income tax expense | | | (140) | (84) |
| OPAT²² | | | 309 | 188 |
| Significant items after tax | (6) | (2) | 63 | - |
| NPAT²³ attributable to shareholders | | | 372 | 188 |
| STATISTICS | | | | |
| <i>Revenue growth</i> | | +1.8% | +9.8% | +10.9% ²⁷ |
| <i>EBITDA growth</i> | | +5.7% | +14.0% | +15.4% ²⁷ |
| <i>EBITDA margin</i> | 17.7% | 18.4% | 19.1% | 19.8% |
| <i>Interest cover²⁹</i> | | | 6.5x | 7.6x |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical financial performance of The Lottery Corporation has been prepared on the basis that:

- the Demerger was effective from 1 July 2018⁷⁰;
- The Lottery Corporation has formed its own tax consolidated group;
- it reflects the:
 - significant items allocated to The Lottery Corporation, which are mainly The Lottery Corporation's portion of the Tabcorp-Tatts combination implementation costs and, in FY21 include restructuring and strategic review costs offset by a \$69 million profit on the sale of Jumbo shares;
 - incremental standalone cash corporate costs to reflect the operating structure of The Lottery Corporation that will be in place following the Demerger estimated to be approximately \$9

⁶⁹ Other represents amounts not allocated to a segment in Tabcorp's consolidated financial statements which have been allocated to The Lottery Corporation based on their underlying nature.

⁷⁰ The Lottery Corporation's pro forma historical income statements and cash flows for FY19 and FY20 have been presented before financing costs and income tax expense because the financing arrangements and tax structure under which Tabcorp operated do not reflect the anticipated financing and tax structure of The Lottery Corporation post the Demerger. Financing costs and income tax expense have been presented for FY21 and 1HY22 to reflect the illustrative impact of the anticipated structure on the most recent periods.

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million (before tax) including the impact of the Transitional Services Agreement and costs necessary to operate as a separate standalone ASX listed entity;

- impact of the derecognition of certain intangible assets upon Demerger on amortisation expense (see Section 5.2.3 for details);
 - reallocation of costs between The Lottery Corporation and New Tabcorp;
 - impact on finance costs following entering into new external borrowings arrangements. Net finance costs include pro forma interest on US private placement notes effectively transferred to The Lottery Corporation, interest and amortisation of bank fees on external borrowings that will be drawn down upon Demerger, unwinding of interest on the estimated fair value uplift recognised on the US private placement notes and interest on leases⁷¹; and
 - impact of each of the above pro forma adjustments on income tax expense; and
- there has been no adjustment for:
- ongoing incremental technology costs associated with additional technology investment, roles and separation of technology contracts that may be incurred following expiry of the Transitional Services Agreement on the basis that these incremental costs are uncertain and depend on future decisions to be made by The Lottery Corporation Board and executive leadership team;
 - the impact on amortisation expense as a result of the fair value uplift of the Keno licence values upon the transfer of the Keno business to The Lottery Corporation as the purchase price allocations have not been finalised and the amortisation profile has not been determined; and
 - one-off cash transaction and implementation costs associated with the Demerger on the basis that certain costs up to 31 December 2021 have been incurred by Tabcorp (see Section 5.3.3).

The detailed pro forma historical financial performance for The Lottery Corporation (including a description of the assumptions and adjustments made) is set out in Sections 3.13.1 to 3.13.5 of the Demerger Booklet.

Pro forma revenue and pro forma EBITDA have grown consistently over the past two and a half years as a result of game development and active portfolio and sequence management, greater retail integration and increasing digital conversion (which is reflected in higher margins). The Lotteries business has achieved consistent revenue and earnings growth, even through the COVID-19 pandemic. In contrast, the performance of the Keno business in FY20 was impacted by the shutdown of clubs and hotels associated with the COVID-19 pandemic, but this impact was reversed in FY21. While costs have increased over the period due to continued investment in retail and digital channels, there was a focus on cost reduction in FY20 in response to the COVID-19 pandemic and increasing costs were offset, to some extent, by Tabcorp-Tatts combination synergies in FY20 and cost savings from the enterprise-wide 3S program in FY21.

As a result of incremental cash operating costs, on a pro forma basis the standalone The Lottery Corporation generates slightly lower EBITDA margins (~26-31 basis points lower) than as part of Tabcorp.

As the Demerger is expected to be implemented on 1 June 2022, FY23 will be the first full year of The Lottery Corporation as a standalone listed company.

The Lottery Corporation is eligible to form an Australian tax consolidated group and intends to do so following implementation of the Demerger. The Lottery Corporation will have no income tax losses and no capital losses.

The Lottery Corporation's dividend policy will be determined by The Lottery Corporation Board at its discretion and may change over time. The Lottery Corporation Board initially intends to target a dividend

⁷¹ Interest expense is based on US private placement principal amounts and interest rates (including the impacts of cross currency and interest rate swaps) and the pricing details in the terms of The Lottery Corporation's group facilities and assumes all borrowings were in place for all periods presented. Actual interest expense will change over time based, inter alia, on changes to interest rate benchmarks. The Lottery Corporation may use additional interest rate hedges in the future to further reduce the variability in interest payments which may impact the level of finance costs incurred.

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payout ratio of 70-90% of NPAT excluding significant items. The Lottery Corporation's first dividend on a post Demerger, standalone basis will be the interim dividend for 1HY23⁷², which is likely to be paid in or around March 2023, with reference to the seven months of earnings post Demerger.

The Lottery Corporation currently intends that its dividends will be franked to the extent practicable, although the extent to which a dividend can be franked will depend on The Lottery Corporation's franking credit balance (and forecast franking position for the relevant income year) at the time the dividends are declared. The Lottery Corporation's franking account balance will be nil immediately following the Demerger but The Lottery Corporation is expected to generate franking credits post Demerger.

5.2.3 Financial Position

The pro forma financial position of The Lottery Corporation at 31 December 2021 is summarised below:

THE LOTTERY CORPORATION – SUMMARISED PRO FORMA FINANCIAL POSITION (\$ MILLIONS)

| | AT 31 DECEMBER 2021 PRO FORMA |
|--|----------------------------------|
| Trade and other receivables and prepayments | 59 |
| Trade payables and accruals | (840) |
| Net working capital | (781) |
| Intangible assets (including licences) | 2,936 |
| Property, plant and equipment | 68 |
| Right-of-use assets | 65 |
| Other financial assets (unlisted investments, term deposits) | 276 |
| Provisions | (21) |
| Other (net) | (268) |
| Total funds employed | 2,275 |
| Net tax balances (net deferred tax assets and current tax payable) | (43) |
| Net assets employed | 2,232 |
| Cash and cash equivalents | 350 |
| Borrowings | (2,581) |
| Derivative financial instruments (net) | 141 |
| Net borrowings (excluding lease liabilities) | (2,090) |
| Lease liabilities | (86) |
| Net borrowings (including lease liabilities) | (2,176) |
| Net assets/Equity attributable to Tabcorp shareholders | 56 |
| STATISTICS | |
| Shares on issue at period end (million) | 2,225.8 |
| Net assets per share | \$0.03 |
| NTA ³⁴ per share | \$(1.29) |
| Leverage (net borrowings) ³⁶ | 3.3x |
| Gearing ³⁷ | 97.5% |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma financial position of The Lottery Corporation has been prepared on the basis that the Demerger was implemented on 31 December 2021. Specifically, it reflects the:

- new financing structure that will be in place following the Demerger (i.e. the estimated value of existing US private placement notes to be effectively transferred to The Lottery Corporation⁷³ (together with the associated derivative financial instruments), the estimated drawdown of external

⁷² 1HY23 is the six months ending 31 December 2022.

⁷³ The US private placement notes outstanding on implementation of the Demerger will be cancelled with equivalent notes to be issued by The Lottery Corporation to existing note holders.

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borrowings on Demerger and the settlement of intercompany balances with Tabcorp). The US private placement notes are recognised at their fair value rather than their existing value (as required under Australian Accounting Standards) and the pro forma financial position includes an estimated fair value uplift of \$246 million (\$172 million net of the associated deferred tax asset of \$74 million)⁷⁴;

- recognition of the estimated fair value adjustment to the Keno business arising from the transfer of the Keno business to The Lottery Corporation;
- derecognition of fair value adjustments (predominantly goodwill and intangible assets) and associated deferred tax liabilities that arose from the Tabcorp-Tatts combination as these adjustments cannot be recognised as assets of The Lottery Corporation under Australian Accounting Standards; and
- the current estimated tax impact on a step down in the tax cost base of certain assets of The Lottery Corporation as a result of The Lottery Corporation forming its own tax consolidated group.

There has been no adjustment for:

- one-off cash transaction and implementation costs associated with the Demerger that are expected to be paid by The Lottery Corporation after implementation of the Demerger, estimated to be \$149 million (before tax);
- purchase price accounting for the Keno business, including identification and measurement of all purchase price allocations and the recalculation and recognition of associated deferred tax balances, which will depend on circumstances at the time of the Demerger; and
- any deferred tax positions on derivative instruments as the accounting and tax cost base of the derivatives will align on Demerger.

The detailed pro forma financial position for The Lottery Corporation (including a description of the assumptions and adjustments made) is set out in Sections 3.13.8 to 3.13.9 of the Demerger Booklet.

The Lottery Corporation had a pro forma net current asset deficiency at 31 December 2021 of \$281 million largely as a result of prize payment reserves and customer account balances (totalling \$612 million) being classified as current liabilities under Australian Accounting Standards⁷⁵. The Lottery Corporation has been established with sufficient undrawn facilities to meet working capital requirements, including settlement of prize money and customer account balances as required. To minimise finance costs, excess cash is used to reduce non-current interest bearing liabilities until the current liabilities become due.

The Lottery Corporation is expected to have a relatively highly leveraged capital structure, with pro forma leverage (net borrowings) of 3.3 times and pro forma book gearing of 97.5% at 31 December 2021. It will have:

- US private placement notes with a principal amount of \$1.9 billion and maturities of 4½ to 14½ years. At 31 December 2021, these notes had a pro forma carrying value (including fair value adjustment) of \$2.2 billion (with associated derivatives of \$141 million);
- a committed syndicated bank loan facility with an initial facility limit of \$950 million. This facility has two tranches with maturities of 3 years and 5 years and is on market standard terms and conditions consistent with facilities of this nature. Tabcorp has advised that the margins and commitment fees on the new facilities are broadly in line with the margins on Tabcorp's current facilities. The new facilities have key financial covenants the same as those that apply to Tabcorp's facilities (leverage and interest cover) with ratio limits that are either the same or, in the case of the maximum leverage ratio, more favourable for The Lottery Corporation and the same as the ratio limits that will apply to the US private placement notes. Pro forma drawn bank debt at 31 December 2021 was \$419 million; and

⁷⁴ The uplift is an estimate based on observable inputs at 31 December 2021 and may change at the time of the Demerger based on the actual exchange and interest rates at that date.

⁷⁵ The Lottery Corporation does not have an unconditional right to defer payment of these amounts beyond 12 months, notwithstanding that they are not expected to be fully settled within the next 12 months based on past experience.

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- pro forma lease liabilities totalling \$86 million.

However:

- the pro forma leverage (net borrowings) ratio is at the low end of The Lottery Corporation's intended target range of 3.5-4.0 times; and
- the very high pro forma gearing ratio is primarily due to the derecognition of \$4.5 billion of fair value adjustments (mostly goodwill and intangible assets) that arose from the Tabcorp-Tatts combination and cannot be recognised as assets of The Lottery Corporation under Australian Accounting Standards. In the absence of these fair value adjustments, The Lottery Corporation's gearing ratio is a much more conservative 34.3%.

It is currently anticipated that The Lottery Corporation will have net debt in the range \$2.1-2.3 billion (excluding lease liabilities) on implementation of the Demerger (although this balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the implementation date). The Lottery Corporation currently intends to target a strong BBB investment grade credit rating and will apply for a public credit rating prior to implementation of the Demerger.

There is expected to be sufficient headroom in the bank facilities (in conjunction with The Lottery Corporation's operating cash flows) to fund The Lottery Corporation's working capital and capital expenditure requirements as well as potential growth opportunities. Pro forma gross capital expenditure has been around \$35-45 million per year (excluding Tatts integration capital expenditure).

5.2.4 Cash Flow

The pro forma historical cash flow for The Lottery Corporation from FY19 to FY21 and for 1HY22 is summarised below:

THE LOTTERY CORPORATION – SUMMARISED PRO FORMA HISTORICAL CASH FLOW (\$ MILLIONS)

| | FY19 PRO FORMA | FY20 PRO FORMA | FY21 PRO FORMA | 1HY22 PRO FORMA |
|--|-------------------|-------------------|-------------------|--------------------|
| EBITDA ¹² | 507 | 536 | 611 | 353 |
| Changes in working capital and other items | 217 | 34 | (28) | 163 |
| Cash flows relating to significant items | (9) | (3) | (9) | - |
| Operating cash flow before interest and tax | 715 | 567 | 574 | 516 |
| Capital expenditure (net) | (53) | (64) | (17) | (19) |
| Other | (89) | (15) | 25 | (18) |
| Operating and investing cash flow before interest and tax | 573 | 488 | 582 | 479 |
| Net interest paid | | | (109) | (54) |
| Tax paid | | | (137) | (84) |
| Operating and investing cash flow after interest and tax | | | 336 | 341 |
| STATISTICS | | | | |
| Operating cash flow conversion ⁴⁰ | 143% | 106% | 95% | 146% |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical cash flow for The Lottery Corporation has been prepared on the same basis as the pro forma historical financial performance set out in Section 5.2.2 of this report.

The detailed pro forma historical cash flow for The Lottery Corporation (including a description of the assumptions and adjustments made) is set out in Sections 3.13.6 to 3.13.7 of the Demerger Booklet.

The Lottery Corporation is expected to have a strong operating cash flow conversion ratio of above 100%. The slightly lower pro forma operating cash conversion ratio in FY21 of 95% was due to an increased investment in working capital driven by increased sale activity. Working capital movements are impacted by the timing of prize draws and settlements, jackpot activity and new winners for long term annuity prizes. The pro forma

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increase in working capital in FY19 was largely driven by an increase in prize liabilities. The deferral of Lottery taxes (part of a government COVID-19 support package) increased payables and benefited working capital in FY20 but led to a decline in working capital in FY21 when these taxes were paid.

On a pro forma basis, gross capital expenditure was around \$60-65 million per year in each of FY19 and FY20 but was considerably lower at \$37 million in FY21 (and offset by material proceeds from the sale of property, plant and equipment of \$20 million), following completion of the Tatts integration and more disciplined business as usual capital expenditure due to the COVID-19 pandemic. 1HY22 pro forma capital expenditure was at a similar level (\$19 million).

Pro forma other cash flows are primarily investments in managed funds and term deposits that are held to fund payments to winners of certain lottery games where winnings are payable for up to 20 years, offset in FY21 by proceeds from the sale of Jumbo shares.

5.2.5 Directors and Executive Leadership Team

On Demerger, The Lottery Corporation Board will comprise four directors (subject to the receipt of all necessary regulatory and ministerial consents):

- the current independent non-executive Chair of Tabcorp, Steven Gregg, will be appointed independent non-executive Chair of The Lottery Corporation;
- current independent non-executive Tabcorp directors, Harry Boon and Anne Brennan will be appointed independent non-executive directors of The Lottery Corporation; and
- the current Managing Director of Tabcorp's Lotteries & Keno business, Sue van der Merwe, will become the Chief Executive Officer ("CEO") of The Lottery Corporation and will also be appointed as an executive director of The Lottery Corporation.

Subject to the receipt of all necessary regulatory and ministerial consents, it is intended that two new independent non-executive directors, John O'Sullivan and Doug McTaggart will be appointed following implementation of the Demerger, increasing The Lottery Corporation Board to six directors.

The Lottery Corporation will adopt a Board Charter and corporate governance policies and establish Board Committees that are similar to those that exist at Tabcorp, except that it will not have a Technology Committee.

If the Demerger proceeds, the executive leadership team of The Lottery Corporation will comprise:

- Sue van der Merwe (the current Managing Director of Tabcorp's Lotteries & Keno business who will become CEO);
- Adam Newman, Tabcorp's current Chief Financial Officer ("CFO") who will become CFO;
- Patrick McGlinchey, Tabcorp's current Chief Legal and Risk Officer and Co-Company Secretary who will become Chief Legal and Risk Officer and Co-Company Secretary;
- Michelle Williams, Tabcorp's current Chief People Officer who will become Chief People Officer;
- Loren Fisher, who will commence as Chief Information Officer;
- Andrew Shepherd, the current General Manager of Marketing for Tabcorp's Lotteries & Keno business who will become Chief Customer and Marketing Officer;
- Callum Mulvihill, the current General Manager Finance and Commercial for Tabcorp's Lotteries & Keno business who will become Chief Commercial Operations Officer; and
- Antony Moore, the current General Manager Lotteries Retail for Tabcorp's Lotteries & Keno business who will become Chief Channel Officer.

Further details of the Board and executive leadership team of The Lottery Corporation are set out in Section 3.7 of the Demerger Booklet.

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5.2.6 Capital Structure and Ownership

On implementation of the Demerger, The Lottery Corporation will have approximately 2,225.8 million shares on issue. Tabcorp shareholders will collectively hold 100% of the shares on issue.

The current substantial shareholders in Tabcorp, AustralianSuper Pty Ltd, BlackRock Group and State Street Corporation will be The Lottery Corporation's only substantial shareholders. Other than these substantial shareholders, The Lottery Corporation will have a relatively open share register.

The Lottery Corporation has established equity incentive plans for the executive leadership team and select senior leaders to align their interests with the interests of The Lottery Corporation shareholders. The details of these equity incentive plans are set out in Sections 3.7.8 and 3.7.9 of the Demerger Booklet. While aligned to The Lottery Corporation performance and measures (where applicable), the equity incentive plans generally represent a continuation of the structure of the arrangements in place at Tabcorp. The structure of these equity incentive plans will be reviewed by The Lottery Corporation Board in the first year of operation to ensure they remain fit for purpose and continue to motivate executives to achieve long term shareholder value.

5.3 New Tabcorp

5.3.1 Operations and Strategy

If the Demerger is implemented, New Tabcorp will remain Australia's largest diversified wagering and media operator and gaming services provider with \$2.5 billion in pro forma FY21 revenue and pro forma FY21 EBITDA of \$464 million.

New Tabcorp will have two key divisions:

- **Wagering & Media**, comprising:
 - a leading omni-channel diversified wagering operator in Australia operating nationally under the "TAB" brand and approximately 1.9 million active customers at 31 December 2021. It has national scale through exclusive retail wagering licences in all States and Territories in Australia excluding Western Australia and 4,257¹⁴ on-course and retail (pubs, clubs and agency) venues, digital platforms (online and using various apps) and call centres. Digital penetration is relatively high, with digital share of turnover at 55% in FY21;
 - the "Sky" media business, which holds long term media rights and is a leader in multi-venue, multi-channel racing and sports media broadcasting in Australia, broadcasting racing and sports content to 4,790¹⁴ agency and licenced venues as well as in-home to pay television subscribers and over various digital platforms. It is the only provider of aggregated racing vision services in Australia from all racing codes in all States and Territories (with digital distribution to TABs and corporate bookmakers). New Tabcorp also operates the Sky Sports Radio Network across New South Wales and the Australian Capital Territory and the RadioTAB network in Queensland, South Australia, Tasmania and the Northern Territory.

There are synergies between the wagering and media businesses with Sky promoting the TAB brand on its platform and offering bespoke content for TAB customers; and

 - an international business which includes Sky Racing World LLC, a United States based international racing content distributor (exporting vision to 65 countries and 165 United States operators) and facilitator of associated tote pools and PGI, one of the largest global tote hubs (based on turnover). Both businesses are established and growing; and
- **Gaming Services**, a provider of EGM services to venues across Australia including monitoring services, financing services, maintenance services and value-added technology and advisory solutions to

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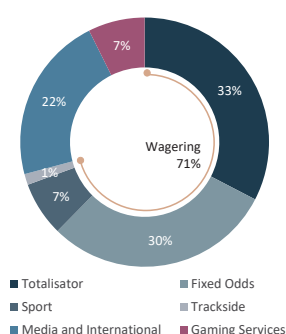


3,955¹⁴ gaming venues. The Gaming Services business operates under the MAX brand. Gaming Services provides at least one product or service to 84% of Australian EGMs.

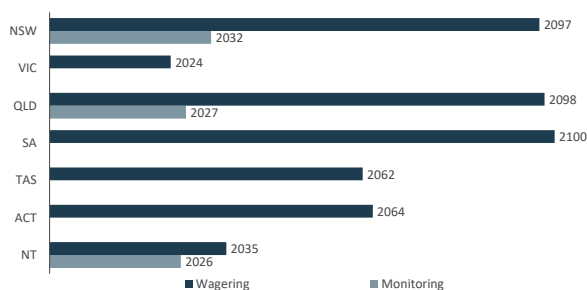
Wagering represents the vast majority of revenue (71% based on FY21 pro forma revenue). The performance of New Tabcorp is underpinned by its long term retail wagering licences and approvals and monitoring licences:

NEW TABCORP – KEY ATTRIBUTES

FY21 REVENUE BY PRODUCT



LICENCE AND APPROVAL MATURITIES⁷⁶



Source: Tabcorp FY21 Full Year Results Investor Presentation, Demerger Booklet and Grant Samuel analysis

While the key drivers of growth for New Tabcorp (and particularly its wagering business) are macroeconomic factors similar to those for The Lottery Corporation, the Wagering business, in particular, is facing a rapidly changing environment, including:

- a change in customer product preferences (from racing to sports betting and from tote to fixed odds betting);
- a structural shift from retail cash betting to online betting as a result of the digital transformation and continued technological innovation (as well as the growth of corporate bookmakers). The digital channel represented more than 90% of total Australia wagering turnover in FY21⁷⁷), accelerated by the mandated closure of venues as part of the government response to the COVID-19 pandemic;
- a highly competitive market and increasing competition from corporate bookmakers seeking to win market share. Corporate bookmakers have tax and product fee advantages⁷⁸ over New Tabcorp's wagering business, providing them with a margin advantage which can be used to offer customer generosity and invest in product innovation and customer experience. Consolidation in the sector, particularly among corporate bookmakers (e.g. CrownBets acquisition of William Hill Australia and the merger of SportsBet and BetEasy⁷⁹), have created larger, well capitalised competitors; and

⁷⁶ Tasmanian, New South Wales and Queensland Wagering Licence retail exclusivity periods expire in March 2027, June 2033 and June 2044 respectively. South Australian Major Betting Operations Licence retail exclusivity period expires in December 2032. Australian Capital Territory Sports Bookmaking Licence expires in October 2029, with further rolling extensions to October 2064. Northern Territory and Queensland monitoring licences have indefinite rolling renewal capability. The Victorian Government has commenced its market process in relation to the Victorian wagering licence (expires in 2024). Consistent with New Tabcorp's strategy, New Tabcorp will carefully review the potential arrangements.

⁷⁷ Source: Australian Facing Factbook 2021. Based on wagering turnover. Retail consists of TAB on course and retail categories. Digital consists of TAB phone and internet, bookmakers and corporates/exchanges.

⁷⁸ These advantages include a lower racing industry funding requirement, relatively lower State or Territory wagering tax obligations and a less complex regulatory and industry approval process (as corporate bookmakers are only licensed in the Northern Territory whereas Tabcorp has multi-jurisdictional requirements for operational decisions that impacts Tabcorp's speed to market).

⁷⁹ As a result of the 2019/20 merger of Flutter Entertainment plc ("Flutter") (owner of SportsBet) and The Stars Group Inc. (owner of BetEasy) to create the world's largest online betting company. Flutter was created by the merger of Paddy Power and Betfair.

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- regulatory changes such as the introduction of restrictions on the broadcast of gambling advertisements in 2018 and point of consumption tax⁸⁰ from 2017 to 2020 (on a State and Territory basis).

This operating environment has created challenges for New Tabcorp, although the impact has been mitigated by its scale, diversification and omni-channel integrated wagering offering which enables a differentiated proposition to be offered to customers. The digital channel is focused on customer experience, brand and personalisation and the retail channel offers a unique integrated digital in-venue experience (supported by “Venue Mode”) as well as racing and sports vision.

New Tabcorp’s strategy framework will focus on, among other things:

- delivering compelling customer experiences, including through deeper integration across digital, retail and media, innovative products, seamless experiences and entertaining vision content;
- addressing structural sustainability in the Australian wagering and gaming industry;
- innovation and growth, including exploring opportunities in emerging technologies, new products and integrity services, new customer experiences and new markets and licences (e.g. new domestic wagering licence opportunities such as the proposed sale of the Western Australian TAB); and
- delivering efficiencies through improving and enhancing its operational and process management, streamlining and strengthening its operational systems and processes and rigorous cost management initiatives.

The future strategy of New Tabcorp will ultimately be a matter for the newly formed New Tabcorp Board (see Section 5.3.5) and executive leadership team to develop over time and is subject to change.

A detailed description of New Tabcorp is set out in Sections 4.1 to 4.6 of the Demerger Booklet.

5.3.2 Earnings and Dividends

The pro forma historical financial performance of New Tabcorp from FY19 to FY21 and for 1HY22 is summarised below:

NEW TABCORP – SUMMARISED PRO FORMA HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

| | FY19 PRO FORMA | FY20 PRO FORMA | FY21 PRO FORMA | 1HY22 PRO FORMA |
|---|-------------------|-------------------|---------------------|--------------------|
| Wagering & Media | 2,318 | 2,084 | 2,298 | 1,073 |
| Gaming Services | 304 | 221 | 183 | 78 |
| Other ⁸¹ | 12 | 12 | 12 | 6 |
| Revenue | 2,634 | 2,317 | 2,493 | 1,156 |
| EBITDA¹² | 585 | 427 | 464 | 160 |
| Depreciation, amortisation and impairment | (260) | (297) | (279) | (143) |
| EBIT⁸ | 325 | 130 | 185 | 17 |
| Net finance costs | | | (20) | (10) |
| Income tax expense | | | (51) | (2) |
| OPAT²² | | | 114 | 5 |
| Significant items after tax | (19) | (1,139) | (121) ⁸² | (12) |
| NPAT²³ attributable to shareholders | | | (7) | (7) |

⁸⁰ Point of consumption tax is a tax levied on operators based on the location of the customer. Its introduction was positive for Tabcorp as it created a more level playing field.

⁸¹ Other represents revenue on services charged to The Lottery Corporation for servicing the Lotteries & Keno terminals.

⁸² Significant items after tax excludes the amended tax assessment relating to the treatment of MAX licence fees (tax payment of \$62 million and \$7 million of interest after tax) and interest expense related to the strategic review costs of \$3 million after tax.

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NEW TABCORP – SUMMARISED PRO FORMA HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS) (CONT)

| | FY19 PRO FORMA | FY20 PRO FORMA | FY21 PRO FORMA | 1HY22 PRO FORMA |
|------------------------------|-------------------|-------------------|-------------------|----------------------|
| <i>STATISTICS</i> | | | | |
| Revenue growth | | -12.0% | +7.6% | -8.8% ²⁷ |
| EBITDA growth | | -27.0% | +8.7% | -32.8% ²⁷ |
| EBITDA margin | 22.2% | 18.4% | 18.6% | 13.8% |
| Interest cover ²⁹ | | | 11.3x | 3.7x |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical financial performance of New Tabcorp has been prepared on the following basis:

- the Demerger was effective from 1 July 2018⁸³;
- it shows New Tabcorp's continuing operations only (i.e. does not include Sun Bets in FY19);
- it reflects the:
 - significant items allocated to New Tabcorp which are mainly New Tabcorp's portion of the Tabcorp-Tatts combination implementation costs, Racing Queensland arrangements, goodwill and other asset impairment (FY20 and FY21), restructuring costs (FY21) and Demerger costs (1HY22), offset in part by Australian Capital Territory point of consumption tax compensation (FY19) and gain on revaluation of a previously held equity interest (FY21);
 - allocation of costs between New Tabcorp and The Lottery Corporation to reflect the operating structure and the impact of the Transitional Services Agreement that will be in place following the Demerger;
 - incremental cash costs estimated to be approximately \$23 million (before tax) necessary to operate as a separate standalone entity. Following the Demerger, New Tabcorp will incur additional standalone operating costs relative to the costs incurred historically, in particular:
 - the full costs required to support a standalone listed entity that have historically been shared with the Lotteries & Keno business (e.g. a board of directors, company secretariat costs, ASX listing fees, share registry costs, insurance and statutory financial and tax compliance fees); and
 - additional costs associated with certain services and internal management systems that have historically been partially allocated to the Lotteries & Keno business (e.g. information technology, corporate and public company costs);
 - reallocation of income and costs between The Lottery Corporation and New Tabcorp;
 - impact on finance costs based on the estimated drawdown of external borrowings for New Tabcorp (an allocation of existing Tabcorp debt at 31 December 2021 after allowing for an additional drawdown by Tabcorp to close out the Tabcorp US private placement notes maturing in April 2022)⁸⁴ and interest on leases; and
 - impact of each of the above pro forma adjustments on income tax expense; and

⁸³ The New Tabcorp pro forma historical income statements and cash flows for FY19 and FY20 have been presented before financing costs and income tax expense because the financing arrangements and tax structures during these periods do not reflect the anticipated financing and tax structure of New Tabcorp. Financing costs and income tax expense have been presented for FY21 and 1HY22 to reflect the illustrative impact of the new financing structure on the most recent periods.

⁸⁴ The calculation of interest expense is based on interest rates and the pricing detailed in the terms of the New Tabcorp facility and assumes all borrowings were in place for all periods where presented. Interest paid will change over time based, inter alia, on changes to interest rate benchmarks. New Tabcorp may use interest rate hedges in the future to reduce the variability in interest payments which will impact the amount of finance costs incurred, potentially by a material amount.

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- there has been no adjustment for:
 - ongoing incremental technology costs associated with additional technology investment, roles and separation of technology contracts that may be incurred following expiry of the Transitional Services Agreement on the basis that these incremental costs are uncertain and depend on future decisions to be made by the New Tabcorp Board and executive leadership team;
 - one-off cash transaction and implementation costs associated with the Demerger on the basis that those costs incurred up to 31 December 2021 have been reflected in New Tabcorp's pro forma financial position (see Section 5.3.3); and
 - the gain on Demerger that it is expected will be recognised by New Tabcorp which will be determined by reference to the fair value of The Lottery Corporation shares less the book value of its net assets and will depend on the trading price of The Lottery Corporation shares immediately after implementation of the Demerger⁸⁵.

The detailed pro forma historical financial performance for New Tabcorp (including a description of the assumptions and adjustments made) is set out in Sections 4.11.1 to 4.11.6 of the Demerger Booklet.

New Tabcorp's pro forma financial performance over the past three and a half years reflects the nature of its operating environment and the severe impact of the COVID-19 pandemic.

While the Wagering & Media business has continued to invest in its unique omni-channel customer experience, the financial implications of its highly competitive operating environment (e.g. increased customer generosities, the requirement for investment in technological innovation and declining digital market share) were exacerbated by shutdowns and government mandated restrictions associated with the COVID-19 pandemic, particularly in FY20 and 1HY22 (and to a lesser extent in FY21, where the impact was primarily disruption to services and supply chains and staffing shortages). These headwinds were only offset in part by a focus on cost reductions, benefits from cost savings delivered as part of the enterprise-wide 3S program and Tabcorp-Tatts combination synergies.

The pro forma financial performance of the Gaming Services business, in particular, deteriorated significantly over this period. In addition to the COVID-19 pandemic (which included subscription relief to venues and the suspension of all material fees for venue partners during the period that their gaming floors were not operational), the Gaming Services business was impacted by contract and licence expiries, contract extensions at lower daily rates, reduced project work and non-renewal of a Telstra Corporation Limited service contract resulting in EBIT losses in FY20, FY21 and 1HY22.

As a result of removal of the higher margin Lotteries & Keno business and incremental cash operating costs, on a pro forma basis the standalone New Tabcorp generally generates lower EBITDA margins (11-412 basis points lower) than Tabcorp prior to the Demerger⁸⁶.

Following the Demerger, Tabcorp will remain the head company of the New Tabcorp Australian consolidated tax group (from which The Lottery Corporation will have exited) and the franking credits are expected to be preserved in New Tabcorp. Tabcorp's unused capital losses are expected to be preserved within New Tabcorp (albeit a portion of these losses are subject to an "available fraction" prior to utilisation).

While the level of future dividend payments is a matter for the Board of New Tabcorp, the New Tabcorp Board intends to initially target a dividend payout ratio of 50-70% of NPAT excluding significant items. New Tabcorp's first dividend on a post Demerger, standalone basis will be the interim dividend for 1HY23, which is likely to be paid in or around March 2023.

⁸⁵ See Section 4.11.12 of the Demerger Booklet for more information.

⁸⁶ New Tabcorp's pro forma FY19 EBITDA margin is higher than Tabcorp's (22.2% compared to 20.5%) as a result of the greater impact of the very high EBITDA margin (48%) generated by the Gaming Services business in that year.

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5.3.3 Financial Position

The pro forma financial position of New Tabcorp at 31 December 2021 is summarised below:

NEW TABCORP – SUMMARISED PRO FORMA FINANCIAL POSITION (\$ MILLIONS)

| | AT 31 DECEMBER 2021 PRO FORMA |
|--|----------------------------------|
| Trade and other receivables and prepayments | 180 |
| Trade payables and accruals | (540) |
| Net working capital | (360) |
| Licences | 721 |
| Other intangible assets | 2,528 |
| Property, plant and equipment | 271 |
| Right-of-use assets | 149 |
| Provisions | (54) |
| Other financial liabilities (fixed odds open betting positions) | (9) |
| Other (net) | 30 |
| Total funds employed | 3,273 |
| Net tax balances (net deferred tax assets and current tax payable) | (231) |
| Net assets employed | 3,042 |
| Cash and cash equivalents | 171 |
| Borrowings | (140) |
| Derivative financial instruments | (3) |
| Net borrowings (excluding lease liabilities) | 28 |
| Lease liabilities | (200) |
| Net borrowings (including lease liabilities) | (172) |
| Net assets/Equity attributable to Tabcorp shareholders | 2,873 |
| STATISTICS | |
| Shares on issue at period end (million) | 2,225.8 |
| Net assets per share | \$1.30 |
| NTA ³⁴ per share | \$(0.16) |
| Leverage (net borrowings) ³⁶ | 0.7x |
| Gearing ³⁷ | 5.6% |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma financial position of New Tabcorp has been prepared on the basis that the Demerger was implemented on 31 December 2021. Specifically it reflects the:

- removal of assets and liabilities associated with the Lotteries & Keno business;
- new financing structure that will be in place following the Demerger (i.e. effective transfer of the US private placement notes to The Lottery Corporation (together with associated derivative financial instruments and tax impacts), settlement of intercompany balances with The Lottery Corporation, repayment of current external borrowings and drawdown of new external borrowings); and
- one-off cash transaction and implementation costs of \$39 million (before tax) associated with the Demerger that are expected to be incurred by Tabcorp (i.e. advisers fees).

There has been no adjustment for estimated one-off cash transaction and implementation costs associated with the Demerger of:

- a further \$31 million (before tax) that are expected to be incurred prior to the Tabcorp shareholders' meeting to approve the Demerger. Of the total of approximately \$70 million to be incurred prior to

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the Tabcorp shareholders' meeting (i.e. \$39 million plus \$31 million), \$53 million will have been paid by Tabcorp at that date; or

- \$200 million (before tax) that are expected to be incurred after the Tabcorp shareholders' meeting to approve the Demerger. Of the total estimated one-off transaction and implementation costs of \$213 million (before tax) to be paid after implementation of the Demerger (\$200 million plus \$13 million incurred but not paid on implementation), approximately \$64 million (before tax) will be paid by New Tabcorp.

The detailed pro forma financial position for New Tabcorp (including a description of the assumptions and adjustments made) is set out in Sections 4.11.10 to 4.11.11 of the Demerger Booklet.

New Tabcorp had a pro forma net current asset deficiency at 31 December 2021 of \$299 million which reflects its business model (i.e. minimal receivables and recognition of customer account balances (totalling \$184 million) in current liabilities). To minimise finance costs, excess cash is used to reduce non-current interest bearing liabilities until settlement of current liabilities is due and access is available to undrawn debt facilities if required.

The pro forma financial position of New Tabcorp indicates (relative to Tabcorp's financial position at 31 December 2021) a:

- smaller negative investment in net working capital as The Lottery Corporation's pro forma negative investment in net working capital at 31 December 2021 is removed;
- fall in net assets per share from \$3.04 to \$1.30 due to the removal of the net assets attributable to the Lotteries & Keno business but NTA per share improves from a deficiency of \$1.47 to a deficiency of \$0.16 as a result of no longer recognising goodwill, licences and other intangible assets associated with the Lotteries & Keno business. No new intangible assets arise as a result of the Demerger; and
- reduction in net borrowings, leverage and gearing as a result of the effective transfer of the US private placement notes to The Lottery Corporation. On a pro forma basis, New Tabcorp had a net cash position of \$31 million before lease liabilities at 31 December 2021, although it also had lease liabilities of \$200 million primarily associated with its *TAB* agency footprint. Leverage (net borrowings) falls from 1.9 times to 0.7 times and gearing falls from 23.3% to 5.6%.

New Tabcorp will refinance the residual external borrowings not transferred to The Lottery Corporation. New Tabcorp has a committed syndicated bank loan facility with an initial facility limit of \$950 million. This facility has two tranches with maturities of 3 years and 5 years and is on market standard terms and conditions consistent with facilities of this nature. Tabcorp has advised that the margins and commitment fees on the new facilities are broadly in line with the margins on Tabcorp's current facilities. The new facilities have key financial covenants the same as those that apply to Tabcorp's facilities (leverage and interest cover) with ratio limits that are either the same or, in the case of the maximum leverage ratio, slightly less favourable for New Tabcorp.

It is currently anticipated that New Tabcorp will have net debt of less than \$100 million (excluding lease liabilities) on implementation of the Demerger (although this balance is subject to movements in actual cash flows in Tabcorp between 31 December 2021 and the implementation date). New Tabcorp currently intends to target a leverage (net borrowings) ratio of 1.0-1.5 times (although it may seek to exceed this range to fund certain future potential growth opportunities). New Tabcorp currently does not intend to hold a public credit rating at the time of the Demerger.

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5.3.4 Cash Flow

The pro forma historical cash flow for New Tabcorp from FY19 to FY21 and for 1HY22 is summarised below:

NEW TABCORP – SUMMARISED PRO FORMA HISTORICAL CASH FLOW (\$ MILLIONS)

| | FY19 PRO FORMA | FY20 PRO FORMA | FY21 PRO FORMA | 1HY22 PRO FORMA |
|--|-------------------|-------------------|-------------------|--------------------|
| EBITDA¹² | 585 | 427 | 464 | 160 |
| Changes in working capital and other items | (47) | (5) | 51 | (79) |
| Cash flows relating to significant items | (27) | (55) | (44) | (17) |
| Operating cash flow before interest and tax | 511 | 367 | 471 | 64 |
| Capital expenditure (net) | (223) | (214) | (98) | (62) |
| Other | 2 | 1 | 52 | 2 |
| Operating and investing cash flow before interest and tax | 290 | 154 | 425 | 4 |
| Net interest paid | | | (20) | (10) |
| Tax paid | | | (39) | 3 |
| Operating and investing cash flow after interest and tax | | | 366 | (3) |
| STATISTICS | | | | |
| <i>Operating cash flow conversion⁴⁰</i> | <i>92%</i> | <i>99%</i> | <i>111%</i> | <i>51%</i> |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical cash flow for New Tabcorp has been prepared on the same basis as the pro forma historical financial performance set out in Section 5.3.2 of this report.

The detailed pro forma historical cash flow for New Tabcorp (including a description of the assumptions and adjustments made) is set out in Sections 4.11.7 to 4.11.9 of the Demerger Booklet.

New Tabcorp's pro forma operating cash flow conversion has steadily improved over the period from FY19 to FY21 reflecting an improvement in working capital management and was around or above 100% in FY20 and FY21. The significant fall in pro forma operating cash flow conversion in 1HY22 was primarily due to increased investment in working capital. On a pro forma basis, net capital expenditure was around \$215 million in FY19 and FY20 but was considerably lower in FY21 and 1HY22 following completion of the integration of Tatts and business as usual capital expenditure being more disciplined in an environment impacted by the COVID-19 pandemic.

5.3.5 Directors and Executive Leadership Team

On Demerger, Tabcorp's Board will initially comprise five directors:

- current independent non-executive Tabcorp director, Bruce Akhurst, will be appointed Chair of Tabcorp;
- current independent non-executive Tabcorp directors, David Gallop, Janette Kendall and Justin Milne will continue as independent non-executive directors of Tabcorp; and
- the current Managing Director of Tabcorp's Wagering & Media business, Adam Rytenskild, will become CEO of New Tabcorp and will also be appointed an executive director of Tabcorp.

Current Tabcorp Chair, Steven Gregg and independent non-executive directors, Harry Boon and Anne Brennan, will retire from the Tabcorp Board to become directors of The Lottery Corporation. Current Managing Director and CEO of Tabcorp David Attenborough will also retire from the Tabcorp Board on implementation of the Demerger.

Subject to the receipt of all necessary regulatory and ministerial consents, it is intended that three new independent non-executive directors, Brett Chenoweth, Raelene Murphy and Karen Stocks will be appointed to the Tabcorp Board following the Demerger, increasing the Tabcorp Board to eight directors.

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Tabcorp's corporate governance policies and Board Committees are intended to remain substantially unchanged from those of Tabcorp prior to the Demerger.

There will be changes to the executive leadership team of Tabcorp as a result of the Demerger. In addition to Sue van der Merwe (who will become Managing Director and CEO of The Lottery Corporation), a number of other current Tabcorp executives will be appointed as executive leaders in The Lottery Corporation (see Section 5.2.5 for details). If the Demerger proceeds, the executive leadership team of New Tabcorp will comprise:

- Adam Rytenskild (the current Managing Director of Tabcorp's Wagering & Media business who will become Managing Director and CEO);
- Dan Renshaw, Executive General Manager Finance & Commercial Wagering & Media at Tabcorp who will become CFO;
- John Fitzgerald, who will commence as Chief Legal and Risk Officer;
- Sharon Broadley, General Manager, Employee Experience at Tabcorp who will become Chief People Officer;
- Alan Sharvin, who will commence as Chief Information Officer;
- Jenni Barnett, who will commence as Chief Customer Officer;
- Paul Carew, the current Chief Operating Officer – Gaming Services who will retain that role;
- Rebecca Riant, the current Executive General Manager Sustainability, Markets and CX Delivery for Tabcorp's Wagering & Media business who will become Chief Operating Officer – Wagering & Media;
- Tom Callachor, the current General Manager Government and Industry Relations who will become Chief Industry & Corporate Affairs Officer; and
- Angus Tiet, who will commence as Chief Strategy & Ventures Officer.

Further details of the Board and executive leadership team of New Tabcorp are set out in Section 4.7 of the Demerger Booklet.

5.3.6 Capital Structure and Ownership

There will be no change to the number of Tabcorp ordinary shares on issue or the ownership of New Tabcorp immediately following implementation of the Demerger.

The impact of the Demerger on the various incentive plans and share purchase plans operated by Tabcorp will vary depending on:

- the plan and the awards granted under the plan; and
- whether the plan participant remains an employee of New Tabcorp or will be an employee of The Lottery Corporation.

The treatment of each type of plan is set out in detail in Section 5.7 of the Demerger Booklet.

In general, for existing Tabcorp awards held by employees who will:

- continue to be Tabcorp employees, performance rights will vest on a pro-rata basis prior to the Demerger and the Tabcorp shares allocated on vesting will be subject to the Demerger. Restricted Tabcorp share awards issued under the STPP will be released on Demerger and will be subject to the Demerger. Tabcorp shares granted under the GESP and retention plan will remain on foot and subject to their original terms and conditions (and will be subject to the Demerger); and
- become employees of The Lottery Corporation, performance rights will vest on a pro-rata basis prior to the Demerger and the Tabcorp shares allocated on vesting will be subject to the Demerger. Restricted Tabcorp share awards issued under the STPP and the GESP will generally be released on Demerger and will be subject to the Demerger. Retention plan awards will be forfeited and replaced in The Lottery Corporation.



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6 Evaluation of the Demerger

6.1 Opinion

In Grant Samuel's opinion, the Demerger is in the best interests of Tabcorp shareholders.

6.2 Summary and Conclusions

Tabcorp has a long history of building businesses organically and through acquisition and expansion into new sectors to achieve its strategic goals and create value for shareholders. This approach is evidenced by changes to the group's structure over time, most recently, the transformational combination with Tatts completed in December 2017 and the subsequent integration of six complementary businesses into three leading business operations. The integration was substantially complete by June 2020 and delivered substantial EBITDA synergies of \$95 million in FY21 (approximately 8.5% of FY21 EBITDA), despite being hampered by the COVID-19 pandemic.

However, Tabcorp's Lotteries and Wagering businesses have very different business characteristics, financial profiles and growth strategies and operate in very different regulatory and competitive environments. The Demerger is the next step in the evolution of Tabcorp.

Following the receipt of several unsolicited approaches and proposals in relation to a potential transaction involving Tabcorp's Wagering & Media business (and in the case of one bidder, its Gaming Services business) Tabcorp announced in March 2021 that it would undertake a strategic review of all relevant structural and ownership options to maximise the value of Tabcorp's businesses for the benefit of all shareholders.

The primary advantage of the Demerger is its attraction relative to the other structural and ownership alternatives assessed and evaluated such as retention of the status quo and divestment of Tabcorp's Wagering & Media and Gaming Services businesses:

- the status quo has its attractions in terms of diversification and scale. However, the sharemarket seems unlikely to recognise the full value of the Lotteries & Keno business while it remains part of a broader gambling entertainment group (given that the challenges facing the Wagering & Media and Gaming Services businesses "taint" the group's overall market rating); and
- a divestment of Tabcorp's Wagering & Media and Gaming Services businesses would be complex, protracted and disruptive and there would be no certainty of success. Any divestment of the Wagering & Media business would require a number of legislative, regulatory, racing industry, competition and other third party approvals. Importantly, the process would be expected to take an extended period of time and the outcome would not be within Tabcorp's control. A failed divestment process could have an adverse impact on the Wagering & Media and Gaming Services businesses. A divestment would also potentially crystallise a capital gains tax liability for Tabcorp.

In contrast, the Demerger:

- can be implemented in a more timely manner and with a higher degree of certainty (i.e. fewer approvals are required);
- enables Tabcorp shareholders to retain their economic interests in all the businesses and potentially capture the upside from any growth opportunities, including the potential for industry change to create a more sustainable Australian wagering and gaming industry. At the same time, they have the ability to change their exposures between the two demerged entities;
- provides Tabcorp shareholders with The Lottery Corporation shares that have the potential to trade at a value reflecting its inherent characteristics;
- options such as the potential sale of either business (e.g. through a takeover offer) are preserved, if not enhanced; and



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- is expected to provide Tabcorp shareholders with demerger tax relief, enabling them to defer any tax payable until the sale of their The Lottery Corporation shares.

Ultimately, the Tabcorp Board preferred the Demerger on the basis that it represented the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp shareholders.

The Demerger is definitionally fair as shareholders (except ineligible overseas shareholders and selling shareholders) will hold exactly the same underlying economic interests in the business before and after the Demerger is implemented. Evaluation of whether the Demerger is in the best interests of shareholders therefore involves subjective judgements about the benefits such as financial and strategic flexibility and management focus weighed against the risks, costs and other disadvantages of the Demerger, rather than analysis of quantifiable financial or other verifiable factors.

The key benefits from the Demerger include:

- enhancing the ability of the Lotteries & Keno business and the Wagering & Media and Gaming Services businesses to pursue their respective strategies and providing the flexibility to establish appropriate capital structures and financial policies for the Lotteries & Keno business and the Wagering & Media and Gaming Services businesses having regard to the operational and financial characteristics, strategic objectives and growth profile of each business:
 - The Lottery Corporation will initially have a relatively highly leveraged capital structure with pro forma net borrowings at 31 December 2021 of \$2.2 billion and a gearing ratio of almost 100%. However, pro forma leverage (net borrowings) and interest cover are strong at 3.3 times (below the low end of the target range of 3.5-4.0 times) and 6.5 times respectively.
The strength of The Lottery Corporation's credit profile, including its lower capital intensity and track record of stable, consistent cash flows through economic cycles should provide support for this more highly leveraged capital structure as well as the capacity to increase leverage (given it will initially have total debt facilities of \$2.9 billion). This flexibility should enhance The Lottery Corporation's ability to pursue strategic opportunities (e.g. acquisitions); and
 - New Tabcorp will have a very different financial profile to both Tabcorp and The Lottery Corporation. It will have total debt facilities of \$950 million, minimal gearing (pro forma net borrowings at 31 December 2021 of \$172 million and gearing of 5.6%) and conservative leverage and interest cover ratios of 0.7 times (below its target range of 1.0-1.5 times) and 11.3 times respectively.
The smaller size of New Tabcorp's facilities (relative to The Lottery Corporation and Tabcorp) largely reflects its size and different risk profile. However, it will benefit from an effective increase in its available debt facilities, subject to continuing to meet financial covenants given it will no longer provide funding to The Lottery Corporation. This balance sheet capacity will support New Tabcorp's dividend payments and provides New Tabcorp with flexibility in executing its strategic priorities, in particular, investing in innovation and growth (including in other markets, adjacent products and new technologies);
- greater board and executive leadership team focus on each company's strategic objectives and priorities, enabling decision making appropriate to the risk/return profile of each business and specific operational and regulatory issues to be addressed in a timely manner;
- enhanced ability to provide targeted executive leadership team incentives that are directly related to the business under the respective team's control;
- flexibility for shareholders to choose their level of exposure to the Lotteries & Keno business (i.e. The Lottery Corporation) and the Wagering & Media and Gaming Services businesses (i.e. New Tabcorp) as they see fit. Tabcorp shareholders will be able to make their own investment decisions in accordance with their investment, diversification and risk appetites (including from an environmental, social and



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governance (“ESG”) and socially responsible investment perspective), rather than being obliged to accept the business investment portfolio as defined by Tabcorp’s current structure;

- enhancing the prospect of a change of control transaction involving The Lottery Corporation and/or New Tabcorp (subject to required legislative, regulatory and, for New Tabcorp, racing industry approvals), thereby improving shareholders’ ability to achieve full underlying value for those businesses; and
- potentially achieving an increase in the aggregate sharemarket valuation of The Lottery Corporation and New Tabcorp compared to Tabcorp. Value analysis of the two entities is inherently uncertain. However, if The Lottery Corporation was to trade at 18-19 times pro forma FY21 EBITDA⁸⁷, the current Tabcorp share price of around \$5.00 effectively attributes an enterprise value of \$2.1-2.7 billion to New Tabcorp. The likely market price for New Tabcorp will depend on a range of factors, but \$2.1-2.7 billion does seem low taking into account New Tabcorp’s pro forma net assets at 31 December 2021 of \$2.9 billion, the non-binding, indicative proposals received by Tabcorp for its Wagering & Media business (and, in one case, its Gaming Services business) of \$3.5-4.0 billion (even allowing for a premium for control) and the implied pro forma FY21 EBITDA multiples of 4.5-5.8 times (relative to the trading multiples of other listed wagering and gaming businesses and taking into account New Tabcorp’s specific attributes). This analysis indicates that there does seem to be some value upside potential immediately following implementation of the Demerger.

These benefits are not individually compelling but, together they are meaningful. Several of these benefits would only be expected to be manifested over the medium to longer term.

At the same time, there are a number of disadvantages and costs arising from the Demerger, many of which result from the smaller size and less diversified nature of the demerged companies (particularly New Tabcorp):

- although both will be substantial businesses, the impact of any significant adverse events (e.g. the COVID-19 pandemic) will have a greater relative impact (although The Lottery Corporation is less likely to be impacted given its track record of stable and predictable cash flows and its annuity-like characteristics). At the same time, The Lottery Corporation and New Tabcorp will both be substantial businesses and financial leverage is manageable (and in the case of New Tabcorp, conservative);
- the smaller size of the two separate entities should, other things being equal, lead to higher borrowing costs (in terms of margins). However, Tabcorp has advised that the margins for the new facilities being entered into as part of the Demerger are broadly in line with current Tabcorp margins. Furthermore, the key financial covenants of the new facilities are the same as those that apply to Tabcorp’s facilities (leverage and interest cover) and the ratio limits applicable to the facilities are:
 - relative to the covenants that Tabcorp currently has in place, the same or slightly more favourable for The Lottery Corporation (and the same as the ratio limits that will apply to the US private placement notes) and the same or slightly less favourable for New Tabcorp; and
 - provide sufficient headroom and flexibility relative to the pro forma leverage (net borrowings) ratios for The Lottery Corporation and New Tabcorp;
- there are one-off costs associated with the Demerger and incremental ongoing costs to operate two separately listed companies:
 - one-off cash transaction and implementation costs are estimated to be approximately \$270 million (before tax), although \$76 million of these costs will have already been incurred (and \$57 million will have been paid) by the time that the Tabcorp shareholders’ meeting to approve the Demerger is held; and

⁸⁷ In Grant Samuel’s view, a trading multiple of 18-19 times pro forma FY21 EBITDA for The Lottery Corporation is plausible and is supported by, among other factors, its highly attractive attributes, analyst estimates of its market rating and the trading multiples of other listed lotteries companies (see Section 6.5.6 for more details).

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- incremental corporate and operating cash costs are estimated at approximately \$32 million per annum (before tax) in aggregate, as well as potential ongoing incremental technology costs (albeit the quantum of these is uncertain and The Lottery Corporation and New Tabcorp currently anticipate that they will be able to offset part or all of the estimated ongoing incremental technology costs by cost reductions achieved through continuation of a form of the 3S program in both companies).

Because The Lottery Corporation is being set up as a standalone listed company, the Demerger does entail some risks:

- transition and implementation risks associated with the separation of The Lottery Corporation from Tabcorp at a corporate services and infrastructure level (in particular, the technology separation); and
- the relationships between the new boards and executive leadership teams and the relationships within the boards themselves are untested. However, there is continuity and experience through the Tabcorp representatives on each of the boards and the experience of the CEOs.

While it is likely that, immediately following the Demerger, both The Lottery Corporation and New Tabcorp will have smaller market capitalisations and occupy lower positions in relevant indices, both are currently expected to qualify for inclusion in relevant indices (most importantly, the S&P/ASX 200 index). There may be some short term impacts (e.g. "new" demand for The Lottery Corporation shares from ESG investors (e.g. who want to invest in the lotteries sector but were deterred from investing in, or unable to invest in, Tabcorp because of its exposure to wagering and gaming) and because it will be the only significant pure listed lotteries business in Australia) but the net effect on overall demand is likely to be minimal.

These disadvantages, costs and risks of the Demerger cannot be disregarded. However, the disadvantages and risks are not outside the normal risks of any corporate restructuring transaction and/or have mitigating factors and the costs, while not immaterial would, in any event, be incurred in some form to execute alternative structural and ownership options (other than the status quo).

The critical question is whether shareholders are likely to realise greater value over time if the Demerger is implemented than if Tabcorp's current structure is maintained. The evaluation is essentially subjective. While the benefits are real, they are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. However, in Grant Samuel's view, the potential advantages of the Demerger outweigh the potential disadvantages, costs and risks. While implementation of the Demerger is not a guarantee of future performance, shareholders are ultimately likely to be better off if the Demerger proceeds.

6.3 Approach to Evaluation

Tabcorp shareholders are being asked to split their current investment into two parts, a shareholding in New Tabcorp and a separate shareholding in The Lottery Corporation.

The transaction is a "clean" split in so far as there is no change in the underlying economic interest of each shareholder (except for ineligible overseas shareholders and selling shareholders). They will, in aggregate, continue to own 100% of Tabcorp's business. There is:

- no purchase or sale of equity in either New Tabcorp or The Lottery Corporation to third parties;
- no value leakage to third parties from either entity; and
- not expected to be any adverse tax consequences for the separate entities and for the vast majority of Tabcorp shareholders (see Section 6.8.2).

Accordingly, the Demerger is definitionally fair as shareholders (except ineligible overseas shareholders and selling shareholders) will hold exactly the same underlying economic interests in The Lottery Corporation's business before and after the Demerger is implemented. Evaluation of whether the Demerger is in the best interests of shareholders therefore involves weighing up the advantages and disadvantages of the Demerger for shareholders. This involves judgements about the advantages and benefits such as strategic

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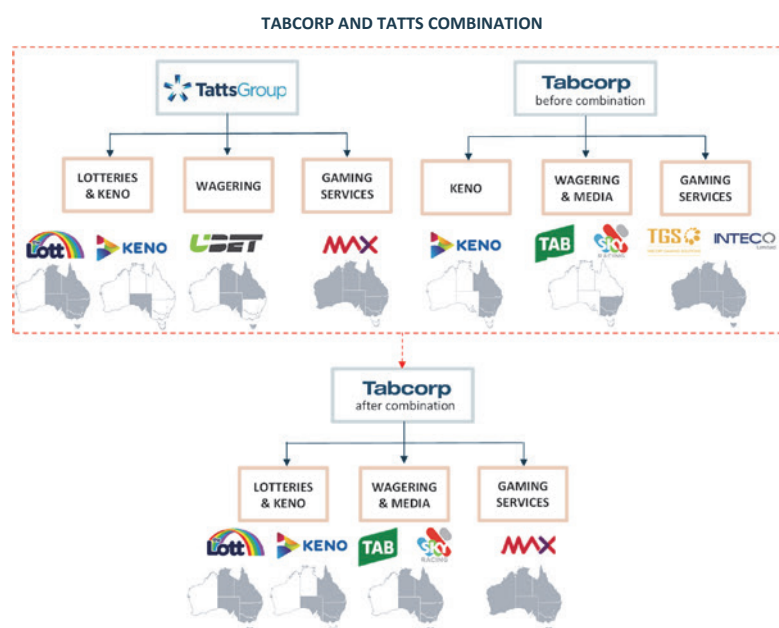


and financial flexibility and management focus weighed against the disadvantages, costs and risks such as duplicated operating costs and transaction costs, rather than analysis of quantifiable financial or other verifiable factors.

6.4 Rationale for the Demerger

Tabcorp has a long history of building businesses organically and through acquisition and expansion into new sectors to achieve its strategic goals and create value for shareholders. This approach is evidenced by changes to the group's structure over time, including:

- the acquisition of Star City and Jupiters and the subsequent demerger and separate ASX listing of its casino operations in 2011;
- the acquisition of TAB Limited (2004) and ACTTAB (2014) to create Australia's largest wagering business across Victoria, New South Wales and the Australian Capital Territory and which included, through the TAB Limited takeover, the acquisition of Sky Channel, which formed the basis of Tabcorp's Media business (and the proposed but unsuccessful attempt to acquire UNITAB in 2006); and
- most recently, the transformational combination with Tatts completed in December 2017, and the subsequent integration of six complementary businesses into three leading business operations:



Source: Tatts Scheme Booklet

The rationale for the combination with Tatts was to bring together two complementary businesses and create:

- one of the largest gambling entertainment companies in Australia;
- a more balanced portfolio of businesses across lotteries, wagering and gaming services; and
- scale that would add depth to capabilities and underpin the capacity to compete in the highly competitive and rapidly changing wagering sector and, potentially, expand offshore.

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Tatts had a strong and successful lotteries business and a stable and growing gaming services business, but its wagering business (in Queensland, South Australia, Tasmania and the Northern Territory under the *UBET* brand which had limited history and traction) had been in decline, largely due to increased competition from corporate bookmakers in the online channel. Tatts management had devoted significant resources to reinvigorating the business but in the highly competitive and rapidly changing environment had acknowledged that it would be challenging to achieve any significant degree of success.

The combination with Tatts combined Tabcorp's existing *TAB* wagering operations (including exclusive retail wagering licences) in Victoria, New South Wales and the Australian Capital Territory with Tatts' *UBET* wagering operations (including exclusive retail wagering licences) in Queensland, South Australia, Tasmania and the Northern Territory, creating a national wagering business and Australia's largest Gaming Services business with enhanced scale and diversification. The two wagering businesses were integrated under the *TAB* brand, creating a unique brand position, a significantly improved customer value proposition, and more recently investing in combining the *TAB* venue and digital experience (Venue Mode), integrating *Sky* and digital *TAB* and deploying a personalisation capability. The integrated platform also offered the potential to rationalise the totalisator pools resulting in better liquidity and odds. The Tabcorp-Tatts combination was substantially complete by June 2020 and delivered EBITDA synergies of \$95 million in FY21 (approximately 8.5% of FY21 EBITDA), despite being hampered by the COVID-19 pandemic.

The Demerger is the next step in the evolution of Tabcorp.

Tabcorp's Lotteries and Wagering businesses have very different business characteristics, risk profiles, financial dynamics and growth strategies and operate in very different regulatory and competitive environments:

- lotteries is a relatively mature sector. The Lottery Corporation has a leading market position underpinned by exclusive and/or long dated licences and approvals to operate in all Australian States and Territories except Western Australia and with limited direct competition (there is a prohibition on synthetic lotteries). It exhibits annuity-like characteristics and has a track record of consistent growth and steady and predictable earnings and margins through economic cycles. Lotteries is regarded as "soft" gambling and has a strong social licence with a long history of connection to the community and funding good causes; and
- wagering operates in a highly regulated, intensely competitive and increasingly digital environment where corporate bookmakers have tax and product fee advantages over Tabcorp's wagering business, providing them with a margin advantage which can be used to offer customer generosities and invest in product innovation and customer experience. While the Wagering & Media business has some very attractive features including its national scale through exclusive retail wagering licences in all States and Territories in Australia excluding Western Australia, its footprint of retail venues, digital platforms and call centres and its long term racing and sports media rights and broadcasting platform, regulatory change (such as the introduction of point of consumption tax) is only an initial step in the industry change required to create a "level playing field". Tabcorp's Wagering & Media and Gaming Services businesses were both severely impacted by the shutdowns and government mandated restrictions associated with the COVID-19 pandemic, with goodwill impairments recognised across both businesses in FY20 and in Gaming Services in FY21. Wagering is also exposed to greater community and reputational risk.

It is unclear whether the third party interest in Tabcorp's Wagering & Media business was timed to coincide with completion of the integration with Tatts or an attempt to take advantage of weakness in the business as a result of the COVID-19 pandemic. In any event, in response to speculation in the media, Tabcorp announced in February 2021 that it had received several unsolicited approaches and proposals in relation to a potential transaction involving Tabcorp's Wagering & Media business, and, in the case of one bidder, its Gaming Services business. The proposals were expressed to be confidential, indicative, non-binding and subject to numerous conditions including due diligence, financing and various regulatory approvals. These



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approaches and proposals led to the March 2021 announcement that Tabcorp would undertake a strategic review of all relevant structural and ownership options to maximise the value of Tabcorp's businesses for the benefit of all shareholders.

The structural and ownership alternatives assessed and evaluated included:

- retention of the status quo;
- divestment of Tabcorp's Wagering & Media and Gaming Services businesses; or
- demerger of Tabcorp's Lotteries & Keno business.

While it is inevitable that any proposal will involve some compromises and drawbacks, the Tabcorp Board has considered each of these alternatives and concluded that the Demerger is preferred over the other available alternatives.

The status quo has its attractions. The diversified group has scale benefits which, for example, support the required ongoing investment in technology. However, it also has drawbacks. The share price is arguably impacted by negative sentiment towards the Wagering business (by some investors) and there an inability to invest in a "pure play" Lotteries business. These factors mean that Tabcorp shareholders are unlikely to see the full value of Lotteries & Keno business while it remains part of a broader gambling entertainment group.

As part of the strategic review, Tabcorp engaged with a number of bidders for its Wagering & Media business, providing information and management presentations to Entain and Apollo and engaging the bidders in relation to their proposed strategies for navigating the regulatory and other commercial approvals required.

A divestment of Tabcorp's Wagering & Media and Gaming Services businesses would have its attractions, particularly if an acquirer that could extract significant synergies. It would provide a "clean" exit for shareholders with slightly lower one-off costs (compared to the Demerger) and lower ongoing incremental costs (and dealing with the US private placement notes would be more straightforward). However:

- a divestment process would be complex, protracted and disruptive and there would be no certainty of success. Any divestment of the Wagering & Media business would require a number of legislative⁸⁸, regulatory, racing industry⁸⁹, competition and other third party approvals. The process for, and the likelihood of, obtaining the necessary approvals is uncertain and would be expected to take an extended period of time. Moreover, the separation process (under the pressure of a divestment process) would be difficult. A failed divestment process could have an adverse impact on the Wagering & Media and Gaming Services businesses; and
- a divestment may crystallise a capital gains tax liability for Tabcorp and there would probably be tax leakage on any distribution of proceeds to shareholders (depending on the allocation between capital and dividend and the availability of franking credits).

In any event, there is no impediment to a divestment of Tabcorp's Wagering & Media and Gaming Services businesses taking place either before or after the Demerger. New Tabcorp will have an open share register, so an interested third party could make a takeover offer or other change of control proposal (although any takeover offer would need to be for the Wagering & Media and Gaming Services businesses). In fact, a divestment after implementation of the Demerger will be easier as the Wagering & Media and Gaming Services businesses will be standalone (i.e. separation will be completed, albeit the Transitional Services Agreement will operate for an initial period of up to 14 months post Demerger).

⁸⁸ Legislative change to the *Totalizator Act 1997* (NSW) (and related legislation) would be required to allow the acquisition of more than 10% of the shares in either the NSW wagering licensee (TAB Limited) or Tabcorp.

⁸⁹ Tabcorp has various agreements with the racing industry in key States which include change of control provisions which would be triggered by any divestment of the Wagering & Media business.

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While a demerger would incur one-off costs and dis-synergies, it has several advantages:

- it provides much more certainty of execution (timing and approvals) compared to the other options. The outcome is largely in the control of Tabcorp:
 - while the timetable for the Demerger is relatively long at almost 12 months, this in part reflects the requirement to deliver the technology separation, including the separation of Keno from Wagering; and
 - although a demerger also requires a number of legislative and regulatory approvals, the approval process is more straightforward for a demerger of The Lottery Corporation than for a divestment of Tabcorp's Wagering & Media business, and would be expected to take less time and have less completion risk;
- Tabcorp shareholders are provided with the opportunity to retain exposure to any growth opportunities and upside potential for both businesses including, for New Tabcorp, from industry reform. It would be challenging to realise full value for this potential in an outright sale today;
- it provides Tabcorp shareholders with The Lottery Corporation shares that have the potential to trade at a value reflecting its inherent characteristics. To the extent that shareholders wish to sell their The Lottery Corporation shares, they will receive the market price (less brokerage costs) on sale and will (in general) have the flexibility to choose when to sell;
- it preserves the ability for Tabcorp shareholders (to the extent that they retain their shares in both companies) to participate in future takeover activity in relation to both New Tabcorp and The Lottery Corporation and provides greater price transparency for potential bidders. As the separation of the two entities will be complete, it enhances the "doability" of a takeover of either; and
- demerger tax relief should be available to Tabcorp shareholders, deferring any tax payable until they sell any of their The Lottery Corporation shares (see Section 6.8.2).

Ultimately, the Tabcorp Board preferred the Demerger on the basis that it represented the most certain and timely path, with lower regulatory impediments, to maximise value for Tabcorp shareholders.

6.5 Advantages and Benefits of the Demerger

6.5.1 Strategic and Financial Flexibility

The Demerger will enable The Lottery Corporation and New Tabcorp to pursue growth and strategic opportunities independently (whether by way of capital investment, new business and product innovation, acquisitions or divestments) and will allow tailored capital structures and capital investment profiles to be put in place to suit the needs of each business.

Tabcorp is a financially robust business with moderate leverage and strong cash flows. While it is not capital constrained, the reality is that there are always limits on capital investment and acquisitions financially as well as in terms of alignment with strategic priorities. Managerial and operational capacity to implement such initiatives efficiently with adequate oversight and control is also limited. Within almost any company, individual businesses need to compete for these resources.

As a standalone entity, The Lottery Corporation:

- will be able to determine its own financial structure based on the characteristics of its own cash flows and business risks:
 - it will initially have a relatively highly leveraged capital structure with pro forma net borrowings at 31 December 2021 of \$2.2 billion and a gearing ratio of almost 100%. However, pro forma leverage (net borrowings) and pro forma interest cover are strong at 3.3 times (below the low end of the target range of 3.5-4.0 times) and 6.5 times respectively; and



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- on Demerger, The Lottery Corporation's borrowings will largely comprise US private placement notes, which provide long term (weighted average maturity of ~8 years at 31 December 2021) funding at a fixed cost but contain some restrictive terms (e.g. early repayment/make whole penalties) which may negatively impact The Lottery Corporation's capital structure flexibility.

However, the strength of The Lottery Corporation's credit profile, including its lower capital intensity (compared to the significant investment in digital technology required in the Wagering business) and track record of stable, consistent cash flows through economic cycles should provide support for this more highly leveraged capital structure as well as the capacity to increase leverage if the right strategic opportunity arises (without the "drag" of any perceived weakness from the Wagering business). This flexibility should enhance The Lottery Corporation's ability to pursue strategic opportunities (e.g. acquisitions);

- can commit to its growth initiatives (such as game development and digital penetration as well as pursuing new licence and acquisition opportunities) with confidence that the underlying business should continue to produce stable earnings and operating cash flows; and
- The Lottery Corporation will have greater ability and flexibility to pursue strategic opportunities such as scrip based mergers or acquisitions. Under the current structure such transactions are problematic:
 - vendors of lotteries businesses are unlikely to be attracted to scrip in Tabcorp with its significant exposure to the wagering sector; and
 - alternatively, Tabcorp receiving a scrip interest in a merged entity through the sale of the Lotteries & Keno business that is then locked up under Tabcorp ownership may not be attractive to Tabcorp or its shareholders. While this scrip could be passed through in specie to shareholders (as is proposed in the BHP Group/Woodside Petroleum Limited transaction), this approach raises tax and other issues.

In contrast, scrip in a pure lotteries business such as The Lottery Corporation may be highly attractive to vendors (and The Lottery Corporation will have some ability to include cash in the mix). This flexibility may be very valuable for shareholders.

In addition, while it is not possible to measure scientifically, it is reasonable to argue that The Lottery Corporation will have a lower cost of capital than Tabcorp because of its stable earnings and cash flow (by way of comparison, La Française des Jeux Société anonyme ("FDJ"), the closest international listed peer to The Lottery Corporation, has a lower beta than Tabcorp⁹⁰). This should make it more competitive (than the existing Tabcorp) in any acquisition process.

New Tabcorp will also have greater flexibility to:

- adopt a capital structure (in terms of leverage) tailored to its operational risk and growth profile; and
- will have a significant degree of freedom and greater capacity and flexibility to pursue its own strategic agenda.

New Tabcorp will have a very different financial profile to both Tabcorp and The Lottery Corporation. It will have minimal gearing and conservative leverage and gearing ratios. A summary of Tabcorp's existing borrowing facilities and the new external borrowing facilities to be entered into by New Tabcorp is set out below:

⁹⁰ As measured by Bloomberg, based on monthly observations over two years (as FDJ has only been listed since November 2019), FDJ's beta is 0.82 (against the local index) and 1.04 (against the global index) compared to Tabcorp's 1.27 and 1.11 respectively.

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TABCORP VS NEW TABCORP – EXTERNAL BORROWING FACILITIES

| | TABCORP REPORTED | | | NEW TABCORP PRO FORMA |
|-----------------------|----------------------------|----------------|-----------------|-------------------------------|
| Type of borrowing | US private placement notes | Bank overdraft | Bank loans | Syndicated bank loan facility |
| Size | \$1,948 million | \$100 million | \$1,260 million | \$950 million |
| Initial term/maturity | 8-18 years | 12 months | 3-4 years | 3-5 years |

Source: Demerger Booklet and Grant Samuel analysis

The smaller size of New Tabcorp's facilities relative to those of Tabcorp largely reflect its size and different risk profile. New Tabcorp will benefit from an effective increase in its available debt facilities, subject to continuing to meet financial covenants, given it will no longer provide funding to The Lottery Corporation. This balance sheet capacity will support New Tabcorp's dividend payments and provides New Tabcorp with flexibility in executing its strategic priorities, in particular investing in innovation and growth (including considering new wagering licence opportunities such as the Western Australian TAB sale process underway and the process underway in relation to the current Victorian wagering license which expires in August 2024).

The Wagering & Media business has been through a disruptive period, including the three year integration with Tatts and then further exacerbated by the COVID-19 pandemic. The Demerger provides the business with the opportunity to focus on what needs to be done to be successful, in particular around investing in innovation and growth. Other than the combination with Tatts, the Wagering & Media business has not made any acquisitions or entered any new markets since the August 2016 launch of Sun Bets (which performed below expectations and was eventually exited). As a separate company, New Tabcorp will have a mandate to invest and grow, including in:

- other markets (e.g. the United States);
- adjacent products (e.g. eSports); and
- new technologies (e.g. payment methods, non-fungible tokens, fantasy gaming),

which, if successful, will create value for shareholders.

It can be argued that execution of strategic priorities should have been able to be achieved within the current structure. On the other hand, the reality is that it takes a catalyst such as a demerger to give the necessary impetus and urgency to effect change.

Furthermore, while the Demerger does not resolve the underlying structural challenges facing the Wagering & Media business, New Tabcorp's relationship with the racing industry and racing industry funding models will be based on the standalone economics of the Wagering & Media business.

In addition to its available debt facilities, New Tabcorp will, similar to The Lottery Corporation, have greater ability and flexibility to pursue scrip based mergers or acquisitions. Under the current structure such transactions are problematic as Tabcorp receiving a scrip interest in a merged entity through the sale of its Wagering & Media and/or Gaming Services businesses that is then locked up under Tabcorp ownership may not be attractive to Tabcorp or its shareholders (e.g. the proposal from BetMakers in relation to a possible acquisition of the Wagering & Media business for \$4 billion, including \$3 billion in shares in BetMakers) (although see the comments above in relation to transactions involving scrip).

6.5.2 Board and Executive Leadership Team Focus and Incentives

The Demerger will result in the creation of two companies with separate Boards and executive leadership teams focused on their respective businesses. The Board and executive leadership team of each company will be able to focus on their business' strategic objectives and priorities, make decisions appropriate to each business' risk/return profile and address specific operational and regulatory issues in a timely manner.

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Under Tabcorp's current structure, the time of the Tabcorp Board needs to be divided between each of the businesses and may not always be reflective of the size and earnings of the business. In particular, the operating, legal and regulatory requirements of the Wagering & Media business and its relationship with the racing industry consume a significant proportion of Tabcorp Board time.

As standalone entities, both companies should benefit from a dedicated Board and executive leadership team:

- The Lottery Corporation Board and executive leadership team will be able to focus on the Lotteries & Keno business and not be distracted by the operating, legal and regulatory demands of the Wagering & Media and Gaming Services businesses; and
- the Wagering & Media and Gaming Services businesses that remain with Tabcorp will, by definition, get more attention, and it should be easier to get Board and executive leadership team alignment on strategy and what needs to be done for these businesses to be successful.

The Demerger will also enable each of the companies to align executive leadership team remuneration and incentives more closely with the financial performance of the business that is directly under the respective team's control and the consequent share price performance. At present, equity based incentive schemes in Tabcorp mean that remuneration for the executive leadership team in either Wagering & Media and Gaming Services or The Lottery Corporation is impacted by the performance of the other business (for better or worse). The more targeted regime achievable under the Demerger is expected to create a more transparent link between executive leadership team performance and remuneration and better align the interests of shareholders and the executive leadership team.

While the evidence is inherently anecdotal, previous demerger transactions indicate that the cumulative effect of these factors will be improved management performance over time.

6.5.3 Increased Transparency and Scrutiny

The Demerger does not result in any substantial improvement for The Lottery Corporation in terms of transparency. Tabcorp has reported its Lotteries & Keno business as a separate segment since the combination with Tatts in December 2017 (and Tatts provided similar disclosure prior to the Tabcorp-Tatts combination). A significant amount of information on The Lottery Corporation is already disclosed by Tabcorp, including:

- revenue split by product (including base games vs jackpot games);
- key financial metrics such as variable contribution (for Lotteries & Keno), EBITDA, EBIT, capital expenditure, jackpot performance (number and average value), comparable turnover growth by product, retail network and digital share of turnover; and
- key growth strategies.

While a separately listed The Lottery Corporation will inevitably provide more information (and with greater granularity), the market already has access to sufficient information to enable assessment of The Lottery Corporation's performance and outlook (and comparison to its peers).

However, the Demerger should increase the incentives for the Boards and executive leadership teams of the demerged companies to improve performance. Analysts and investors will be focused on the performance of each business separately and the Board and executive leadership team will be directly answerable to investors. As separate listed companies, The Lottery Corporation and New Tabcorp will come under a much greater level of scrutiny including:

- higher levels of financial disclosure (compared to being business segments of Tabcorp);
- a higher public profile;

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- focused research by analysts;
- regular interaction between the executive leadership team (and potentially Board members) and analysts and institutional investors (e.g. during financial results roadshows); and
- annual general meetings.

In theory, all of this focus should be able to occur under the current structure. Tabcorp discloses detailed performance data for each business. However, the reality is that, in practice, separation generally brings a greater intensity. Each company will also be obliged to fund future growth from its own resources, providing additional discipline on capital and operating expenditure.

While it is not possible to establish any direct or measurable link, it is not unreasonable to believe that this increased scrutiny will put additional pressure on the executive leadership team to perform which should, in the longer run, lead to better outcomes.

6.5.4 Shareholder Flexibility

Immediately following the Demerger, Tabcorp shareholders (except ineligible overseas shareholders and selling shareholders) will retain their existing economic exposure to Tabcorp's assets by holding both The Lottery Corporation and Tabcorp shares. Shareholders' interests will simply be split in two. The Demerger will therefore provide shareholders with increased flexibility to manage their investment exposures to each company.

Notwithstanding that both businesses operate predominantly in the broader gambling entertainment sector, the two entities will have different investment characteristics and it is likely that they will appeal to different sets of investors with different preferences in relation to asset or sector exposure, risk tolerance and other factors:

- The Lottery Corporation will provide investors with an exposure primarily to Australia's leading lottery operator with national scale, annuity-like characteristics and a track record of reasonably consistent growth and stability through economic cycles. It will have no exposure to wagering and gaming (which may have deterred some investor interest in the combined entity) and steady dividend payments supported by its strong cash generation; and
- New Tabcorp will provide exposure to the wagering and gaming services sectors as Australia's largest diversified wagering and media operator and gaming services provider as well as strong international businesses. While the earnings profile of New Tabcorp will be more volatile given its rapidly changing and highly competitive market, there is upside potential in particular from industry/licence reform.

At present, Tabcorp shareholders by definition have an exposure to both businesses. They cannot make their own investment decision between these exposures, their only alternative is to have no exposure at all. Following the Demerger, shareholders will be able to make their own investment exposure decisions and shift their relative exposures between the two businesses as they see fit. The strong and stable cash generation of The Lottery Corporation is likely to attract yield focused investors, while New Tabcorp with its growth opportunities and upside potential from industry reform would appeal to investors seeking capital growth. The ability to make more precisely targeted investments into these businesses should also be attractive to investors who wish to invest in specific sectors and may attract investors who would not choose to invest in Tabcorp in its current form.

6.5.5 Takeover Potential

Takeovers are an important mechanism by which shareholders can realise value for businesses in excess of sharemarket prices, as bidders will typically pay a premium to acquire control. Impediments to a takeover are generally negative for shareholders.

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A premium for control could be captured by Tabcorp selling one or more of its businesses to another industry participant (or alternative purchasers such as private equity funds). While Tabcorp has considered such courses of action, particularly in relation to its Wagering & Media business:

- there is no certainty any sale would occur (e.g. the offers received for the Wagering & Media business were non-binding, indicative and conditional, in particular on obtaining the necessary regulatory and commercial approvals);
- the key decisions relating to the sale of one of Tabcorp's businesses, in particular the decision as to an acceptable price, would be made by Tabcorp directors, at least in the first instance (e.g. the offers received for the Wagering & Media business were not at a price that the Tabcorp Board considered sufficiently attractive and prompted the strategic review that culminated in the Demerger); and
- there may be value leakage due to taxation consequences particularly in relation to distributing proceeds to shareholders (see above).

Following the Demerger:

- it will be open to any interested party to put forward a proposition to acquire New Tabcorp or The Lottery Corporation (e.g. by way of takeover) at any time. Both companies will have an open share register. While AustralianSuper Pty Ltd, Blackrock Group and State Street Corporation each have substantial interests (in the range 5.3-7.8% based on the current number of issued shares) they are financial investors rather than strategic owners.

Moreover, any acquisition would be a less complex transaction, as the separation of the two businesses will be complete and, importantly, each company will have its own separate IT system;

- there will be greater transparency on value and the decision as to whether or not to accept an offer and at what price will be in the hands of shareholders (collectively) rather than directors; and
- a takeover transaction should allow Australian shareholders to benefit from any capital gains tax concessions.

In addition, the Demerger should increase the prospect of shareholders receiving a takeover offer:

- Tabcorp's existing mix of businesses is likely to appeal to only a small set of acquirers. The Lottery Corporation and New Tabcorp, as focused separate companies, will appeal to a wider set of potential acquirers and the acquisition process will be simpler (no residual businesses to sell);
- following the Demerger, The Lottery Corporation and New Tabcorp will individually have lower market capitalisations which will make them more affordable acquisition targets. Immediately prior to the announcement that it would pursue the Demerger, Tabcorp was capitalised at more than \$11 billion; and
- there will be no cross-shareholdings between The Lottery Corporation and New Tabcorp that would act as an impediment to a takeover or change of control transaction.

A review of demergers across the past two decades indicates that a significant number of demerged entities (and/or in some cases, their former parent companies) have been acquired by way of takeover within a few years of separation.

At the same time, there will continue to be certain regulatory, legislative and other restrictions following the Demerger that may inhibit corporate activity involving The Lottery Corporation and/or New Tabcorp (in that they would take considerable time and would not be guaranteed):

- any transaction involving either The Lottery Corporation or New Tabcorp would be subject to significant regulatory approvals (in each relevant State and Territory). It is also possible that such a transaction (particularly for New Tabcorp) may be prevented by competition regulation;



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- Tabcorp's 10% shareholding cap, and other restrictions, will continue for New Tabcorp (although approval can be sought for a shareholding exceeding 10%);
- any transaction involving New Tabcorp will need to obtain approvals from the racing industry in key States (where New Tabcorp has commercial racing industry agreements in relation to activities conducted under the wagering licences of these States); and
- the highly regulated nature of the Australian gambling entertainment industry may be considered unattractive by potential acquirers (particularly international acquirers) of The Lottery Corporation and New Tabcorp.

Nevertheless, the restrictions and approvals required would not be expected to deter a serious bidder (e.g. the non-binding indicative bids for Tabcorp's Wagering & Media business were made with the knowledge that legislative, regulatory and racing industry approvals would be required).

6.5.6 Market Value Considerations

For any demerger to be in the best interests of shareholders it must ultimately be expected to enhance shareholder value relative to the status quo (albeit that this can never be proven in hindsight given the absence of a counterfactual).

Sometimes, it is expected that a demerger will create value immediately or in the very short term because the market is believed to be mispricing the existing combined business for some reason. For example, one of the businesses, often a smaller business, is not being closely scrutinised and may warrant a higher multiple than the group but is just rolled up in the overall multiple applied to the dominant business. This undervaluation may also occur where a business unit is loss making or in the early stages of development and therefore not contributing to group earnings.

Similarly, adverse market attitudes to the "core" business may be tainting all of the businesses in a group in terms of value parameters (or vice versa).

These arguments tend to be less prevalent when the listed company is relatively large (and therefore closely followed and scrutinised by a range of analysts and sophisticated investment institutions) and both businesses are substantial contributors in which case disclosure rules mean that investors have reasonably detailed information on the performance of, and outlook for, each of the businesses. Analysts (and others) can easily undertake a comprehensive "sum of the parts" valuation.

Accordingly, as most larger entities enjoy a well informed and liquid market, the arguments for a demerger are typically not so much about immediate value uplifts but rather around the incremental value expected to be created in the future through factors such as enhanced strategic and financial flexibility, management and board focus, better alignment of incentive structures in remuneration, and increased takeover potential (over and above incremental costs). In these situations the incremental value emerges only over time although there is often a small "bump" at the time of announcement (effectively a risk adjusted present value market estimate of the benefits).

In the case of Tabcorp, there is some evidence that there could be a value uplift for shareholders in the shorter term (relative to recent share price levels) as well as in the longer term. The argument centres around the extent to which, notwithstanding the level of disclosure by Tabcorp, the market price of the group's shares is overly affected by the general perceptions of risk (i.e. the rapidly changing and highly competitive operating environment, regulatory framework and racing industry arrangements, ESG concerns) attached to the Wagering & Media business and the recent performance of the Wagering & Media and Gaming Services businesses which have been severely impacted by the COVID-19 pandemic. In short, the market will be able to attribute a value to The Lottery Corporation without any of the "noise" from the Wagering & Media and Gaming Services businesses.

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Grant Samuel has examined the implied values for New Tabcorp's business operations and the inferred value metrics based on:

- recent trading prices for Tabcorp shares which have generally been in the range \$4.80-5.20. The VWAP since announcement of the Demerger on 5 July 2021 is \$5.01; and
- a range of potential trading multiples for The Lottery Corporation.

The analysis is summarised below:

IMPLIED ENTERPRISE VALUE OF NEW TABCORP

| | TABCORP ENTERPRISE VALUE ⁹¹ (\$ MILLIONS) | THE LOTTERY CORPORATION PRO FORMA FY21 EBITDA MULTIPLE | THE LOTTERY CORPORATION ENTERPRISE VALUE ⁹² (\$ MILLIONS) | IMPLIED NEW TABCORP ENTERPRISE VALUE (\$ MILLIONS) | IMPLIED NEW TABCORP PRO FORMA FY21 EBITDA MULTIPLE ⁹³ |
|--------------------------------------|---|--|--|--|--|
| A. \$4.80 TABCORP SHARE PRICE | | | | | |
| | 13,259.7 | 16x | 9,776.0 | 3,483.7 | 7.5x |
| | 13,259.7 | 17x | 10,387.0 | 2,872.7 | 6.2x |
| | 13,259.7 | 18x | 10,998.0 | 2,261.7 | 4.9x |
| | 13,259.7 | 19x | 11,609.0 | 1,650.7 | 3.6x |
| | 13,259.7 | 20x | 12,220.0 | 1,039.7 | 2.2x |
| | 13,259.7 | 21x | 12,831.0 | 428.7 | 0.9x |
| B. \$5.00 TABCORP SHARE PRICE | | | | | |
| | 13,704.9 | 16x | 9,776.0 | 3,928.9 | 8.5x |
| | 13,704.9 | 17x | 10,387.0 | 3,317.9 | 7.2x |
| | 13,704.9 | 18x | 10,998.0 | 2,706.9 | 5.8x |
| | 13,704.9 | 19x | 11,609.0 | 2,095.9 | 4.5x |
| | 13,704.9 | 20x | 12,220.0 | 1,484.9 | 3.2x |
| | 13,704.9 | 21x | 12,831.0 | 873.9 | 1.9x |
| C. \$5.20 TABCORP SHARE PRICE | | | | | |
| | 14,150.0 | 16x | 9,776.0 | 4,374.0 | 9.4x |
| | 14,150.0 | 17x | 10,387.0 | 3,763.0 | 8.1x |
| | 14,150.0 | 18x | 10,998.0 | 3,152.0 | 6.8x |
| | 14,150.0 | 19x | 11,609.0 | 2,541.0 | 5.5x |
| | 14,150.0 | 20x | 12,220.0 | 1,930.0 | 4.2x |
| | 14,150.0 | 21x | 12,831.0 | 1,319.0 | 2.8x |

Source: Grant Samuel analysis

It is not possible to reliably predict where The Lottery Corporation shares will trade or at what rating (i.e. multiple). However, in Grant Samuel's view, a trading multiple range of 18-19 times FY21 pro forma EBITDA (excluding a premium for control) is plausible. Supporting reasons include the following:

- the business has a number of highly attractive attributes including:
 - Australia's leading lottery operator with national scale through exclusive and/or long dated licences and approvals to operate in all Australia States and Territories excluding Western Australia;
 - a portfolio of recognised brands;

⁹¹ Based on 2,225.8 million shares and pro forma combined net borrowings (The Lottery Corporation + New Tabcorp) of \$2,345 million at 31 December 2021 plus transaction costs of \$231 million to be incurred after 31 December 2021.

⁹² Based on The Lottery Corporation pro forma FY21 EBITDA of \$611 million (including incremental costs of \$9 million).

⁹³ Based on New Tabcorp pro forma FY21 EBITDA of \$464 million (including incremental costs of \$23 million).

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- a track record of achieving growth through product innovation and active game management;
 - annuity-like characteristics, achieving reasonably consistent growth in revenue and steady and predictable earnings and margins through economic cycles, underpinned by consistent demand and supported by a high proportion of revenue generated by base games; and
 - strong and resilient free cash flow generation and low capital intensity. Stay in business capital expenditure has historically been in the order of \$35-45 million per annum, equivalent to approximately 6-7% of pro forma FY21 EBITDA. This factor alone would justify a relatively high EBITDA multiple (relative to peers with higher capital requirements);
- there has been a substantial uplift in performance in 1HY22 (relative to 1HY21, the first half of FY21). EBITDA has increased by 15.4% (over the prior corresponding period) and the EBITDA margin has improved from 19.0% to 19.8%;
 - upside potential from the continuing increase in digital penetration (which generates higher margins) and domestic and international growth opportunities;
 - some analysts have made estimates of the market rating for The Lottery Corporation shares. Their estimated EBITDA multiples tend to fall in the range 15-20 times FY22 forecast EBITDA (median 17.9 times) and 14-19 times FY23 forecast EBITDA (median 17.4 times), which translates into approximately 15.5-21 times FY21 EBITDA (median 18.3 times). All of the ten analyst reports were published from October 2021 onwards, except for two (which were published in July and August 2021). If these older analyst reports are excluded, the median FY21 EBITDA multiple increases to 19.4 times;
 - in mid-2021, Scientific Games Corporation ("Scientific Games") announced that it would divest its lottery and other non-core sports betting businesses to pay down part of its \$8.2 billion in net borrowings. A process to list its predominantly North American and European lotteries business ("SG Lottery") on the ASX commenced in September 2021. SG Lottery is a diversified global lottery partner that sells wholesale lottery system services (game innovation, retail programs, advanced technology and managed services) to approximately 130 government and non-government lottery entities in over 50 countries. While not identical to The Lottery Corporation (e.g. systems business (albeit revenue is linked to lotteries turnover), global reach, business-to-business focus and significantly higher EBITDA margin compared to The Lottery Corporation), it has similarities in terms of its annuity-like characteristics and sustainable revenues, long term contracts, resilience through economic cycles and high growth prospects.
- The IPO was reportedly priced at around 15 times FY22 (year 2 forecast) EBITDA, which implied an adjusted⁹⁴ FY20 (historical) EBITDA multiple of 18.4 times. According to press reports, the Australian IPO was underwritten in late October 2021, but was competing with a trade sale process that had attracted offers from private equity as well as at least one strategic player. While the IPO ultimately did not proceed, with Scientific Games announcing on 27 October 2021 that it had sold SG Lottery to Brookfield Business Partners L.P. for US\$6.05 billion, the implied IPO multiple still provides a useful benchmark for The Lottery Corporation;
- The Lottery Corporation will be one of only a few lotteries companies listed on stock exchanges globally and will be the only significant lotteries company listed on the ASX. While Jumbo is also listed on the ASX, it is significantly smaller than The Lottery Corporation with a market capitalisation (prior to the announcement of the proposed acquisition of Starvale Group) of ~\$1.2 billion.

⁹⁴ Adjusted EBITDA is EBITDA less restructuring expenses, impairment charges, stock-based compensation and net other expense/(income) (including foreign currency (gains) and losses). In addition, adjusted EBITDA excludes earnings/(loss) from equity accounted investments and adds its pro rata share of EBITDA of its equity investments. Adjusted EBITDA is more appropriate for the calculation of EBITDA multiples.

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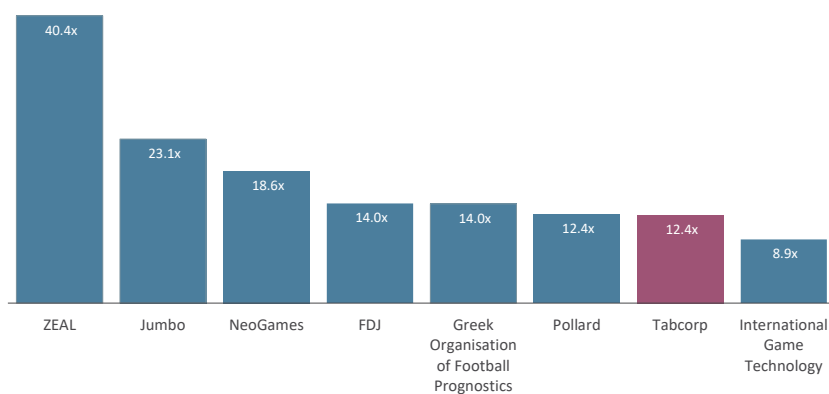
Accordingly, there are limited comparable peers against which to benchmark the company. Grant Samuel has considered both Australian and overseas companies which might be considered broadly comparable to The Lottery Corporation insofar as they operate in the lotteries sector. Grant Samuel has excluded from its analysis:

- global listed gambling entertainment companies where lotteries is not a significant contributor to group revenue and earnings (e.g. Intralot SA and Scientific Games); and
- listed lotteries companies for which no meaningful multiples can be calculated (e.g. Lottery.com Inc.).

The following tables set out the market ratings of selected Australian and overseas lotteries companies:

THE LOTTERY CORPORATION - COMPARABLE LISTED COMPANIES

HISTORICAL EBITDA MULTIPLES (12 MONTHS TO 30 JUNE 2021)⁹⁵



Source: S&P Capital IQ, Grant Samuel analysis

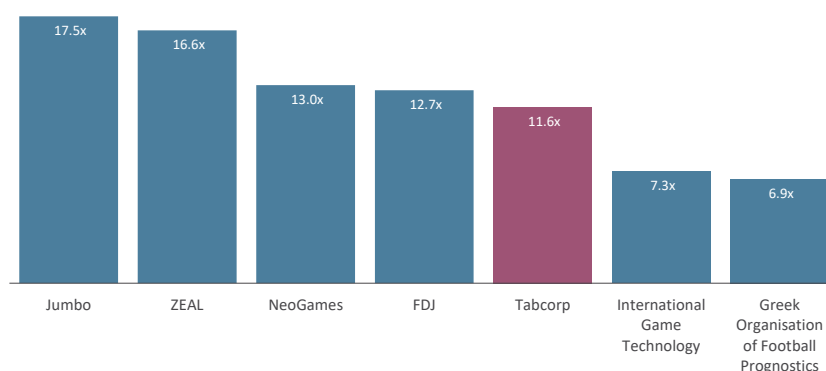
Note: Each of the comparable listed companies other than Jumbo has a December year end. Jumbo has a June year end (the same as Tabcorp). The historical multiples for comparable listed companies with December year end are calculated based on earnings for the 12 months ended 30 June 2021.

⁹⁵ Based on share prices at 7 January 2022.

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THE LOTTERY CORPORATION - COMPARABLE LISTED COMPANIES
FORECAST EBITDA MULTIPLES (YEAR +2)⁹⁵



Source: S&P Capital IQ, Grant Samuel analysis

Note: Forecast EBITDA multiples are based on Year 2 forecasts, which reflect consensus FY23 EBITDA estimates (i.e. the year ending 30 June 2023 for Jumbo and Tabcorp and the year ending 31 December 2023 for the other comparable listed companies). The forecasts have not been aligned to a 30 June year end. No 2023 forecasts are available for Pollard so it has not been included in the chart.

The historical FY21 EBITDA multiple for ZEAL Network SE ("ZEAL") is considered to be an outlier and has been disregarded for the purposes of this analysis. ZEAL, a German online lottery broker, changed its business model during 2019, discontinuing its secondary lottery business, investing heavily in customer acquisition and completing the takeover of LOTTO24 (from which it achieved substantial synergies during 2020). ZEAL's share price has increased considerably since the business model change, in part reflecting its inclusion in key small cap market indices and two 2020 guidance upgrades. ZEAL's forecast 2023 EBITDA multiple of 16.6 times is of more relevance as the forecast earnings reflect the current business model and its growth potential in an underpenetrated digital lottery market.

In addition, companies trading at the same or lower multiples than Tabcorp (i.e. International Game Technology plc ("International Game Technology"), Pollard Banknote Limited ("Pollard") and (at least in relation to forecast multiples) Greek Organisation of Football Prognostics SA) are of limited relevance as its trading multiples are blended multiples for its combined business operations (Lotteries & Keno, Wagering & Media and Gaming Services) and it would be expected that The Lottery Corporation would trade at higher multiples than Tabcorp. The lower trading multiple of these companies reflect their business mix (e.g. exposure to gaming and/or wagering), lower growth outlook and/or lack of digital capabilities.

The remaining historical FY21 EBITDA multiples are in a very wide range of ~12-23 times although the remaining forecast 2023 EBITDA multiples show more consistency at ~13-18 times. The range of trading multiples reflects the specific attributes of each of the lotteries businesses, including:

- regulatory environment;
- business operations – size, diversification, contract/licence term, customer base and distribution channels (e.g. retail/wholesale, retail outlets/digital etc), brand strength, revenue mix (base games/jackpot games) etc;
- track record and short to medium term earnings outlook; and
- capital intensity.

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Of particular relevance to The Lottery Corporation are the trading multiples of Jumbo and FDJ:

- Jumbo, a digital lottery software and services company, is the closest comparable Australian listed company. Jumbo has three segments, lottery retailing, software-as-a-service (“SaaS”) and managed services, retailing lottery tickets in Australia and the South Pacific via ozlotteries.com (primarily through the reseller agreement with Tabcorp) and offering its proprietary lottery software platform and lottery management expertise to the government and charity lottery sectors in Australia and globally. While Jumbo has several similarities to The Lottery Corporation (e.g. the same operating and regulatory environment), it is a significantly smaller business than The Lottery Corporation. On the other hand it:
 - is a higher margin business because of its digital only presence (59-60% EBITDA margin compared to The Lottery Corporation’s ~20%);
 - generates a higher return on capital (greater than 30%);
 - is more diversified, both by geography (Australia, the United States, the United Kingdom and Canada) and business operations (SaaS and managed services represent ~30% of FY21 revenue but ~40% of FY21 EBITDA); and
 - does not have direct exposure to the “bookmaking” risk of operating a lottery.

Taking these factors into account, The Lottery Corporation could be expected to trade at around, or at a slight discount to, Jumbo’s trading multiples of 23.1 times historical FY21 EBITDA and 17.5 times forecast FY23 EBITDA; and

- FDJ is the closest international listed peer. FDJ is France’s leading gaming operator and the sole lottery operator in France (the second largest lottery in Europe and fourth largest in the world) offering instant games and draw games through 30,000 points of sale as well as online. FDJ generates almost all of its revenue in France through two segments, Lottery and Sports Betting, although the Lottery segment represents the majority of revenue (~80% in FY20).

In addition to its exposure to the highly regulated and intensely competitive Sports Betting sector, FDJ’s trading multiples of 14.0 times historical FY21 EBITDA and 12.7 times forecast 2023 EBITDA appear to have been adversely impacted by company specific events. On 27 July 2021 the European Commission announced that it had commenced an investigation into FDJ to determine whether the decision to grant FDJ exclusive lottery and retail betting rights in France for 25 years violated European Union laws. Over the following month, the FDJ share price fell by almost 12% (while the overall market was flat). The sell off continued in the second half of 2021 and into early 2022, despite FDJ reporting good 3Q21⁹⁶ momentum and confirming its 2021 outlook in October 2021, with the FDJ share price falling a further 8% (while the overall market increased by 8%). Based on the share price prior to the announcement of the European Commission investigation, FDJ was trading at a historical FY21 EBITDA multiple of 17.5 times and a forecast 2023 EBITDA multiple of 15.8 times.

NeoGames S.A. (“NeoGames”) is a less relevant comparable for The Lottery Corporation. It is a global provider of digital lottery solutions (technology platforms, games portfolio) and services to national and State-regulated lotteries (similar to Jumbo). Royalties from turnkey contracts represent almost three quarters of total revenue. The current trading multiples represent a combination of:

- NeoGames’ strong growth prospects in the underpenetrated North American digital lottery market, with analyst’s median forecast 2023 EBITDA representing average growth of 20% per year over 2020 EBITDA; and

⁹⁶ 3Q21 is the three months ended 30 September 2021.

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- the substantial fall in NeoGames' share price over the past six months (down by more than 20%) following lower than expected quarterly earnings which has impacted both the historical FY21 and forecast 2023 EBITDA multiples (albeit NeoGames only listed on the NASDAQ in November 2020 following an IPO at US\$17 per share with the share price quickly ramping up to ~US\$70 per share before falling to current levels of ~US\$25 per share).

In Grant Samuel's view, the market evidence is broadly supportive of historical FY21 EBITDA multiples in excess of 18 times for lotteries businesses with attractive attributes and strong cash flow; and

- historical FY21 EBITDA multiples of 18-19 times imply yields of ~5% on a pre-tax basis, which is comparable to the yields on annuity-type assets (e.g. property) with growth potential.

If The Lottery Corporation does trade at 18-19 times FY21 pro forma EBITDA, the current share price of around \$5.00 effectively attributes an enterprise value of \$2.1-2.7 billion to New Tabcorp. While the likely market price for New Tabcorp is uncertain and will depend on a range of factors, \$2.1-2.7 billion does seem to be low, taking into account:

- New Tabcorp's pro forma net assets at 31 December 2021 were \$2.9 billion. This value reflects written down book values. However, caution is warranted in relying on net assets as it includes substantial value (\$2.5 billion) for other intangible assets (primarily goodwill) which have been subject to impairment in FY20 and FY21. Excluding licences and other intangible assets, New Tabcorp had a pro forma net asset deficiency at 31 December 2021. Ultimately, market value is driven by the level of earnings/cash flow generated;
- as part of its strategic review process, Tabcorp engaged with a number of bidders for its Wagering & Media business and, in the case of one bidder, its Gaming Services business. The proposals received included:
 - revised proposal from Entain and Apollo to acquire the Wagering & Media business for \$3.5 billion in cash;
 - an alternative revised proposal from Apollo to acquire the Wagering & Media and Gaming Services businesses for \$4 billion in cash; and
 - a proposal from BetMakers to acquire the Wagering & Media business for \$4 billion in cash and BetMakers scrip (\$1 billion in cash and \$3 billion in scrip).

These proposals were non-binding, indicative and subject to a number of conditions and were for 100% of the relevant business(es) and therefore included a premium for control (rather than representing the value of a portfolio interest), they provide a benchmark for the market (trading) value of New Tabcorp.

The level of premiums typically associated with takeovers in Australia is 20-35%. While the premium for control is an outcome not a determinant of value and premiums can vary widely depending on the particular circumstances of the target, adjusting these proposals for a "typical" control premium gives a trading value for New Tabcorp of up to \$3.0-3.3 billion (based on a \$4 billion price) and \$2.6-2.9 billion (based on a \$3.5 billion price for the Wagering & Media business only). While caution needs to be exercised in putting substantial weight on these calculated trading values, they are well above \$2.1-2.7 billion (for the whole of New Tabcorp).

In addition, it is worth noting that the Tabcorp Board determined that initial proposals from Entain and Apollo that valued the Wagering & Media business at ~\$3 billion did not adequately value the Wagering & Media business; and

- the implied enterprise value of New Tabcorp (assuming a Tabcorp share price of \$5.00) of \$2.1-2.7 billion represents pro forma FY21 EBITDA multiples of 4.5-5.8 times (midpoint 5.2 times). These

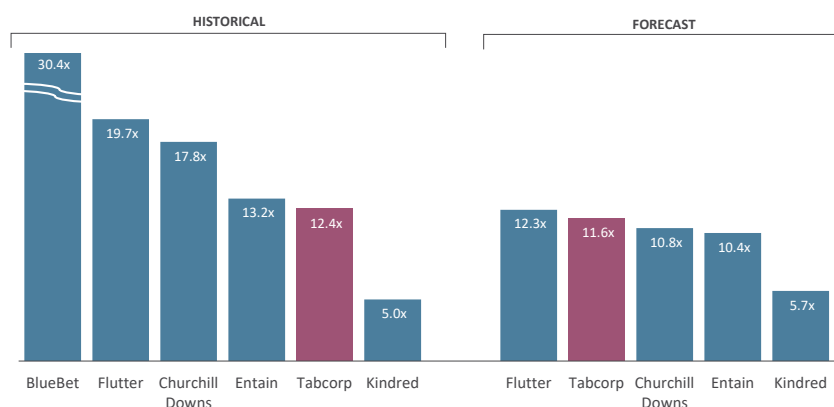
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multiples are low compared to the trading multiples for other listed wagering and gaming businesses as set out below:

NEW TABCORP – COMPARABLE LISTED COMPANIES⁹⁷

HISTORICAL AND FORECAST EBITDA MULTIPLES⁹⁵



Source: S&P Capital IQ, Grant Samuel analysis

Note: Forecast EBITDA multiples are based on Year 2 forecasts, which reflect consensus FY23 EBITDA estimates (i.e. the year ending 30 June 2023 for BlueBet Holdings Limited ("BlueBet") and Tabcorp and the year ending 31 December 2023 for the other comparable listed companies). The forecasts have not been aligned to a 30 June year end. No forecast 2023 EBITDA multiple is shown for BlueBet as it is forecast to make EBITDA losses.

It is arguable that New Tabcorp should trade at a discount to most of these peers given its:

- smaller size and lack of diversification. Flutter Entertainment plc ("Flutter"), Entain and Churchill Downs Inc ("Churchill Downs") have market capitalisations well in excess of \$10 billion (and closer to \$40 billion in the case of Flutter). Kindred Group plc ("Kindred") is smaller but still has a market capitalisation of approximately \$4 billion. Flutter, Entain and Kindred operate in multiple countries and all four generate significant revenue (in excess of 40%, and more than 50% in the case of Kindred) from activities other than wagering (e.g. casinos, poker and other gaming). Kindred is one of the largest online gambling entertainment companies globally. Its relatively low trading multiples reflect a steep decline in its share price in late September/early October 2021 and a weaker outlook following the closure of services for Dutch residents due to policy changes in the Netherlands (including the requirement for Kindred to be awarded a licence by the Dutch regulator, which is not expected to be awarded until the second quarter of 2022); and
- recent trading performance and short term outlook for FY22. While FY21 earnings were an improvement over FY20 (which was severely impacted by the COVID-19 pandemic), performance was still below FY19 levels. The rapidly evolving and highly competitive wagering market is likely to continue to put downward pressure on revenue and margins in short term, and this is reflected in New Tabcorp's pro forma 1HY22 financial performance (and would be the case even in the absence of the impact of the COVID-19 pandemic).

On the other hand, New Tabcorp has the potential for upside from:

- industry change to ensure a more sustainable Australian wagering and gaming industry, although the extent to which this can be achieved is uncertain and unlikely to be recognised in New Tabcorp's share price in the short term;

⁹⁷ The comparable listed wagering and gaming companies exclude ASX listed BetMakers and PointsBet Holdings Limited ("PointsBet") as they make EBITDA losses and no meaningful multiples are able to be calculated.

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- the potential to expand into new markets. The market capitalisation of BetMakers and PointsBet (at around \$600 million and \$1.0 billion respectively, despite being loss making) indicate that there is appetite for wagering and gaming businesses with international potential. However, the entry points for New Tabcorp are not obvious and its track record in offshore markets is mixed (albeit lessons have been learned); and
- making its Gaming Services business more efficient.

The New Tabcorp share price may also be supported in the short term by takeover speculation. The indicative, non-binding proposals received could put a “floor” under the trading price, although New Tabcorp’s performance has deteriorated since these proposals were received in April/May 2021.

Taking all of these factors into account, the differential appears excessive. On this basis, there is a reasonable argument that the combined value of The Lottery Corporation and New Tabcorp shares could exceed the current Tabcorp share price levels of around \$5.00.

At the same time, there is no certainty of an immediate value uplift:

- prior to announcement of the Demerger, Tabcorp was capitalised at more than \$11 billion and was ranked among the top 50 companies listed on the ASX. It receives close scrutiny from investment analysts and fund managers as it is the largest listed gambling entertainment business in Australia;
- there is already a significant level of disclosure in relation to Tabcorp and its underlying businesses. Tabcorp discloses financial performance (revenue, variable contribution, EBITDA, EBIT, capital expenditure, etc), other key financial metrics (such as digital penetration) and key growth strategies by business division; and
- the market is well informed about the Demerger and the share price should already reflect the fact of the Demerger and the net benefits. Some of the share price increase since 5 July 2021 may be attributable to the Demerger.

In any event, the actual trading price of The Lottery Corporation and New Tabcorp shares is uncertain and will depend on a range of factors after implementation of the Demerger including equity market conditions (particularly the current volatile market conditions), economic conditions and interest rates as well as factors specific to each company (including market perceptions about earnings prospects and the effectiveness in communication by each company of its strategy and prospects to analysts, institutional investors and other market participants).

Even if there is no immediate value uplift, the benefits outlined in Section 6.5 should result in value enhancement (relative to the status quo) over time.

6.6 Disadvantages, Risks and Costs of the Demerger

6.6.1 Reduced Size and Diversity

The Demerger will result in two smaller and less diversified companies than Tabcorp. Definitionally, this means that each will be individually less able to readily absorb the financial and business impact of significant adverse events as the events will have a greater relative impact. These adverse events might include, for example, the impact of the next equivalent of the COVID-19 pandemic.

The Lottery Corporation is less likely to be severely impacted given its annuity-like investment characteristics including its track record of consistent growth in revenue, steady and predictable earnings and margins through economic cycles and its low capital intensity. It is therefore less prone (although not exempt from) shock events. While the Keno business is more sensitive to macroeconomic factors and its performance is closely related to in-venue dynamics, this business represents less than 10% of revenue. The concerns are arguably more acute in relation to New Tabcorp. While New Tabcorp will be the largest

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wagering and media operator and gaming services provider in Australia, the competitive and rapidly evolving nature of its operating environment and its reliance on venues and racing/sports events is likely to make its performance more volatile than that of Tabcorp or The Lottery Corporation. The impact of adverse events on the Wagering & Media and Gaming Services businesses has been evident during the COVID-19 pandemic, when government mandated shutdowns of licenced venues and the cancellation or postponement of major sporting events had a material adverse impact on financial performance.

However, there are mitigating factors for both companies:

- The Lottery Corporation and New Tabcorp will both be substantial businesses. The Lottery Corporation had pro forma FY21 revenue of \$3.2 billion and pro forma FY21 EBITDA of \$611 million and New Tabcorp had pro forma FY21 revenue of \$2.5 billion and pro forma FY21 EBITDA of \$464 million;
- financial leverage is manageable and, in the case of New Tabcorp, conservative:
 - while The Lottery Corporation had very high pro forma gearing of 97.5%, lower pro forma interest cover of 6.5 times and a higher leverage (net borrowings) ratio of 3.3 times⁹⁸, these ratios are supported by The Lottery Corporation's strong cash flows and the pro forma leverage (net borrowings) ratio is below the low end of The Lottery Corporation's target range of 3.5-4.0 times. The Lottery Corporation's very high pro forma gearing ratio is primarily due to the derecognition of \$4.5 billion of fair value adjustments (mostly goodwill and intangible assets) that arose from the Tabcorp-Tatts combination and cannot be recognised as assets of The Lottery Corporation. In the absence of these fair value adjustments, The Lottery Corporation's pro forma gearing ratio is a much more conservative 32.4%⁹⁸ (compared to Tabcorp's gearing ratio at 31 December 2021 of 23.3%); and
 - New Tabcorp had minimal pro forma gearing of 5.6% and conservative pro forma interest cover and pro forma leverage (net borrowings) ratios of 11.3 times and 0.7 times respectively⁹⁸. Pro forma leverage is below New Tabcorp's target range of 1.0-1.5 times.

These ratios are indicative of capital structures that have the ability to withstand significant adverse events;

- both businesses are increasingly online and so are becoming less vulnerable to physical lockdowns or constraints although, on the other hand, this could make them more vulnerable to a technology shock (e.g. a cyber attack, internet collapse or system outage such as the outage which impacted Tabcorp's TAB, Keno and Gaming Services operations and systems in November 2020); and
- both The Lottery Corporation and New Tabcorp should have access to equity markets to raise additional equity capital if necessary.

6.6.2 Incremental Corporate and Operating Costs

The Demerger will result in the loss of the financial benefits of operating the two businesses under a single corporate structure. These benefits are largely derived from operating a corporate head office and the central provision of certain infrastructure and administrative functions.

Although the businesses already operate independently in many respects, they currently share infrastructure and corporate overheads in addition to costs related to being a listed company. While certain services will be covered by the Transitional Services Agreement for a period, ultimately each of the demerged companies will have to support these overheads from its own resources.

Following the Demerger:

⁹⁸ Pro forma gearing is at 31 December 2021 and pro forma interest cover is for FY21. Pro forma leverage (net borrowings) is at 31 December 2021 based on EBITDA for the prior 12 months. Ratios are in comparison to Tabcorp's ratios over the same periods.

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- The Lottery Corporation will incur incremental corporate and operational cash costs including:
 - costs associated with the ongoing ASX listing of The Lottery Corporation such as annual listing fees, share registry, annual reports, shareholder communications, legal and regulatory compliance, governance, board of directors and company secretariat;
 - a separate executive team;
 - insurance costs; and
 - other corporate functions to support a standalone listed company (including technology and field services).

These incremental cash costs are estimated by Tabcorp to be approximately \$9 million per annum (before tax); and

- New Tabcorp is expected to incur incremental cash corporate and operating costs (i.e. costs that were shared with or partially allocated to The Lottery Corporation prior to the Demerger that will remain with Tabcorp and will not be provided to The Lottery Corporation on an ongoing basis). These ongoing cash costs are estimated by Tabcorp to be approximately \$23 million per annum (before tax).

The impact of these incremental corporate and operational cash costs is relatively immaterial, representing 0.4% of The Lottery Corporation's and 1.1% of New Tabcorp's pro forma FY21 cost base respectively. However, the incremental costs have a greater impact on New Tabcorp's pro forma FY21 EBITDA, reflecting its smaller size, the impact of the COVID-19 pandemic and the larger quantum of incremental costs borne by New Tabcorp.

In addition, there are other ongoing incremental technology costs that may be incurred following expiry of the Transitional Services Agreement, although these costs are uncertain and will depend on future decisions to be made by the respective boards and executive leadership teams.

However, The Lottery Corporation and New Tabcorp will seek to mitigate impact of these incremental corporate and operating costs (including any ongoing incremental technology costs). The Lottery Corporation and New Tabcorp currently anticipate that they will be able to offset part or all of the estimated ongoing incremental technology costs by cost reductions achieved through continuation of a form of the 3S program in both companies.

6.6.3 Impact on Funding Costs

Following the Demerger, The Lottery Corporation and New Tabcorp will have to raise their own finance to fund growth and capital investment without the financial support or credit profile associated with being part of the larger Tabcorp. Given the smaller size, different risk profiles and lack of business diversity of The Lottery Corporation and New Tabcorp relative to Tabcorp, as well as both companies being new, untested credits it might be expected that both (or at least New Tabcorp) would incur higher interest margins than Tabcorp would incur in the same circumstances.

However, it is not straightforward to isolate this impact because the Tabcorp facilities in place comprise a portfolio of facilities that were established in different market conditions and involve different debt structures (e.g. maturity profiles), funding strategies and access different debt markets. Specifically:

- the US private placement notes (book value at 31 December 2021 of \$2.1 billion) are effectively being transferred to The Lottery Corporation. While there are one-off upfront fees associated with this transfer, there is no change to the coupon rates or other terms and conditions (other than a slightly more favourable maximum leverage covenant than that applying to Tabcorp). In addition, The Lottery Corporation is putting in place a new syndicated bank loan facility consisting of two tranches with maturities of 3 years and 5 years;

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- New Tabcorp is putting in place a relatively vanilla funding structure based on a new syndicated bank loan facility consisting of two tranches with maturities of 3 years and 5 years; and
- the base rates on The Lottery Corporation's and New Tabcorp's new facilities will reflect current market conditions as well as other factors and will apply to The Lottery Corporation and New Tabcorp for the term of the facilities.

In this context, Tabcorp has advised that the margins and commitment fees on the new facilities are broadly in line with the margins on Tabcorp's current facilities. While there may be some incremental cost relative to funding the status quo structure over the long term, the impact on the net earnings of The Lottery Corporation and New Tabcorp is unlikely to be material.

Just as important as interest cost are the other terms of the facilities (in particular financial and other covenants) as these can have a significant impact on financial flexibility. The key financial covenants of the new facilities are the same as those that apply to Tabcorp's facilities (leverage and interest cover). The ratio limits applicable to the facilities:

- relative to the covenants that Tabcorp currently has in place are:
 - the same or slightly more favourable (in the case of the maximum leverage ratio) for The Lottery Corporation and the same as the ratio limits that will apply to the US private placement notes; and
 - the same or slightly less favourable (in the case of the maximum leverage ratio) for New Tabcorp; and
- provide sufficient headroom and flexibility relative to the pro forma leverage (net borrowings) ratios of 3.3 times for The Lottery Corporation and 0.7 times for New Tabcorp.

6.6.4 One-Off Transaction and Implementation Costs

Tabcorp estimates that the one off cash costs of implementing the Demerger will total approximately \$270 million (before tax). These costs include:

- advisers' fees (approximately \$36 million, excluding \$3 million of unrecoverable goods and services tax) payable to financial, financial and accounting due diligence, legal, tax, operational separation and other advisers;
- technology separation costs (approximately \$166 million) relating to the replication and separation of IT systems; and
- restructuring and other costs (approximately \$68 million), which include organisational restructuring costs, stamp duty, costs associated with the effective transfer of the US private placement notes and establishing New Tabcorp and The Lottery Corporation debt facilities and The Lottery Corporation listing fees.

Tabcorp will also incur some non-cash transaction and implementation costs, although Tabcorp is not able to quantify these non-cash costs at this stage. In any event, these non-cash costs are accounting entries and do not result in any payment of cash by Tabcorp.

Approximately \$70 million of the estimated total cash costs of \$270 million are expected to have been incurred prior to the Tabcorp shareholders' meeting to approve the Demerger (although only \$53 million of these costs will have been paid). Therefore, additional cash costs to be incurred if the Demerger proceeds are approximately \$200 million, a significant proportion of which relate to technology separation and are expected to be incurred prior to 30 June 2023. Of the cash costs of \$213 million to be paid after implementation of the Demerger, approximately \$64 million will be paid by New Tabcorp and \$149 million will be paid by The Lottery Corporation.

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The total one-off cash transaction and implementation costs (before tax) of the Demerger are not insignificant, representing ~2.5% of Tabcorp's current market capitalisation. However, transaction costs in some form would, in any event, be incurred to execute alternative structural and ownership options (other than the status quo).

There is a risk that total cash transaction and implementation costs could exceed the estimate of approximately \$270 million (before tax). However, any excess is unlikely to be material in the context of Tabcorp as a whole.

6.6.5 New Boards and Executive Leadership Teams

The Lottery Corporation will be a new standalone ASX listed company with a new board of directors, including the appointment of two new non-executive directors following the Demerger⁹⁹. The relationships between the new board and The Lottery Corporation's executive leadership team and the relationships within the board itself are untested and, inevitably, there is a risk that it does not work as planned. In addition, certain of the executive leadership team of The Lottery Corporation (including the CEO) do not have previous experience in their roles leading a public listed company. However:

- the board will have continuity and experience with the business through the appointment of:
 - Steven Gregg, the current Chair of Tabcorp, as Chair of The Lottery Corporation;
 - Sue van der Merwe as CEO and an executive director. She has been Tabcorp's Managing Director – Lotteries & Keno since the combination with Tatts in December 2017 and was previously Tatts' Chief Operating Officer – Lotteries and therefore has an in-depth knowledge of The Lottery Corporation's business; and
 - two current Tabcorp independent non-executive directors, including Harry Boon, the former Chair of Tatts who has 17 years of experience across the Tabcorp and Tatts Boards; and
- most key members of The Lottery Corporation executive leadership team have been with Tabcorp (or its predecessor entities, including Tatts) for more than five years or have ASX listed company experience in their current roles at Tabcorp and their proposed roles at The Lottery Corporation (e.g. CFO, Chief Legal and Risk Officer and Co-Company Secretary and Chief People Officer). There is only intended to be one executive leadership team appointment from outside Tabcorp (the Chief Information Officer), and she has significant experience across a range of senior technology roles.

While Tabcorp will continue as a standalone ASX listed company (as New Tabcorp) it will have a different board of directors including the appointment of three (out of a total of eight) new non-executive directors following the Demerger⁹⁹. It will also have a new executive leadership team as the current Tabcorp CEO, David Attenborough, intends to retire after the Demerger is completed and a number of Tabcorp's executive leadership team will commence employment with The Lottery Corporation if the Demerger proceeds. A number of the new executive leadership team (including the CEO) do not have previous experience in their roles in a public listed company. Similar to The Lottery Corporation, the relationship between the board and the New Tabcorp management and the relationship within the board itself is untested. However:

- the board will have continuity and experience with the business through:
 - the appointment of Bruce Akhurst, a non-executive director of Tabcorp for over five years, as Chair of New Tabcorp;
 - the appointment of Adam Ryterskild as CEO and an executive director. He has been Tabcorp's Managing Director – Wagering & Media since the combination with Tatts in December 2017 and

⁹⁹ Subject to the receipt of all necessary regulatory and ministerial consents.

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has been with Tabcorp for over 20 years (and a member of Tabcorp's executive leadership team since 2010). Previous roles at Tabcorp have included leading Wagering's digital and retail operations, the Gaming Services business and the Keno business, giving him an in-depth knowledge of New Tabcorp's business; and

- three current Tabcorp independent non-executive directors remaining on the Tabcorp Board, including Justin Milne, who has been a non-executive director of Tabcorp for over 10 years; and
- while a number of the Tabcorp executive leadership team will commence employment with The Lottery Corporation if the Demerger proceeds, a majority of the New Tabcorp executive leadership team have been appointed from within Tabcorp and have been with Tabcorp (in various roles) for more than five years. New appointments to the New Tabcorp executive leadership team (Chief Legal and Risk Officer, Chief Information Officer, Chief Customer Officer and Chief Strategy & Ventures Officer) have extensive experience in their proposed roles and/or in publicly listed companies.

The Demerger has implications for the executive leadership teams of The Lottery Corporation and Tabcorp and any organisational change involves some degree of risk. However, change is a regular part of corporate development and any negative impact is unlikely to be material.

6.6.6 Transition and Implementation Risks

Any separation of two organisations is a complicated exercise at an operational level. There are inevitably risks relating to the implementation of the Demerger, including:

- delays and increased costs in achieving legal and practical separation of the businesses, including a full corporate services infrastructure capacity for The Lottery Corporation and, in particular, the technology separation;
- failure to obtain or delay in obtaining certain government or regulatory approvals and consents required for the Demerger to be implemented, or such approvals and consents are provided subject to terms and conditions which may not be acceptable to Tabcorp;
- failure to obtain third party consents required as a result of triggering change of control clauses in certain contracts or licences;
- Tabcorp being unable to provide certain services received from third parties to The Lottery Corporation (under the Transitional Services Agreement) without the consent of, or an agreement with, the third party. There is a risk that The Lottery Corporation will be required to establish its own arrangements with the third party supplier, which could involve greater costs or otherwise be on adverse terms compared to the existing arrangements;
- disruption and executive leadership team distraction during the implementation period; and
- retention of key executive leadership personnel.

Grant Samuel does not regard these risks as being outside the normal risks of any corporate restructuring transaction, although the technology separation is a very significant task and IT projects are generally fraught with risk. In any event:

- The Lottery Corporation is already established as a separate business with its own executive leadership team and separate core business facing technology platforms¹⁰⁰. The operational separation largely relates to group wide corporate services functions (group finance and accounting, treasury, tax, procurement, property and facilities management, human resources, payroll, customer

¹⁰⁰ Other than existing Keno customer account operations, which are integrated with, and will need to be separated from, Tabcorp's Wagering operations.

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screening, responsible gambling, transaction and fraud monitoring, IT and other services) and there are dedicated teams in place to isolate these activities from the operation of the core business;

- planning for the technology separation has been underway for some months and, at the date of the Demerger Booklet, no major issues had been identified;
- a number of the of government and regulatory approvals have already been received. Tabcorp is continuing to engage closely with its regulatory and government stakeholders in relation to the outstanding approvals and, at the date of the Demerger Booklet, no major issues had been raised;
- Tabcorp management has assessed the need to obtain consents from, or agreements with, third parties and there is a dedicated team (supported by a third party adviser) working with Tabcorp's suppliers to obtain the necessary consents. At the date of the Demerger Booklet, no major issues had been identified. In any event:
 - the most material third party consent required is from ClubKeno Holdings Pty Ltd, Tabcorp's Keno co-licensee in New South Wales, and this consent was obtained in November 2021; and
 - none of these consents (or proposed new contracts) are expected to impact Tabcorp's ability to implement the Demerger;
- Tabcorp has put in place the 2021 retention plan to encourage the retention of certain key team members. Restricted shares issued under the retention plan are subject to a two year trading restriction period which ends in July 2023 (just after the technology separation is expected to be completed); and
- the Transitional Services Agreement (which provides for the sharing of corporate services infrastructure for a period post the Demerger) should facilitate the smooth establishment of standalone corporate services capacity at The Lottery Corporation over time.

6.6.7 Additional Risks

Section 2.4 of the Demerger Booklet details a number of other risks relating to the Demerger and investment in The Lottery Corporation and New Tabcorp. Shareholders should consider these factors in making a decision on whether to vote for the Demerger.

6.7 Other Considerations

6.7.1 Sharemarket Issues

With a market capitalisation of more than \$11 billion, Tabcorp is presently one of the 50 largest companies listed on the ASX and liquidity (as measured by turnover) is reasonably good, with annual turnover of around 90% of average issued capital. Immediately following the Demerger, it is likely that The Lottery Corporation and New Tabcorp will both have smaller market capitalisations than Tabcorp, and each will therefore comprise a smaller proportion of, and will occupy lower positions in, relevant indices.

It is not possible to determine exactly the price at which each company will trade (and therefore what market capitalisations they will have) and index inclusion cannot be guaranteed and is always subject to change. While it is possible that The Lottery Corporation may qualify for inclusion in the S&P/ASX 50 (free float adjusted market capitalisation cut off of ~\$6.5-7.0 billion), it is likely that that New Tabcorp will be removed from the S&P/ASX 50. However, in any event:

- The Lottery Corporation and New Tabcorp will be substantial listed companies;
- for index tracking or benchmarked investors, The Lottery Corporation and New Tabcorp are currently expected to qualify for inclusion in relevant indices (most importantly, the S&P/ASX 200) based on their estimated free float adjusted market capitalisation. The aggregate market capitalisation

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included in these indices will, all things being equal, be the same. Consequently, there should be no forced selling by index investors. Furthermore, any value uplift (see Section 6.5.6) would result in an increase in aggregate market capitalisation which could result in additional demand for shares as index investors readjust their portfolios;

- both companies operate in the broad gambling entertainment sector. Existing investors were, by definition, happy to be exposed to both businesses as each represents a significant proportion of Tabcorp's operations and were therefore a fundamental feature of any investment. There is no obvious reason for there to be a high level of selling of either entity by existing investors although it could be argued that there is more likely to be some pressure on New Tabcorp given its exposure to wagering and gaming; and
- there may be some short-term impacts, but the net effect on overall demand is likely to be minimal. For example:
 - selling by holders of small parcels of The Lottery Corporation shares and/or New Tabcorp shares, although the sale facility made available to Tabcorp shareholders who hold 500 or less Tabcorp shares and elect to have all of The Lottery Corporation shares that they would otherwise receive under the scheme sold on the ASX via the sale facilities and/or hold 2,000 or less Tabcorp shares and elect to have all of those Tabcorp shares that they would otherwise hold following the Demerger sold on the ASX via the sale facilities will allow these shares to be placed with investors in a more structured manner that should minimise any impact on the share prices of The Lottery Corporation and New Tabcorp; and
 - there are reasons to expect that there may be some level of "new" demand for The Lottery Corporation shares:
 - particularly from ESG and socially responsible investment focused investors who want to participate in the lotteries sector, but were deterred from investing in, or unable to invest in (due to mandate restrictions), Tabcorp because of its exposure to wagering and gaming; and
 - given it will be the only significant pure listed lotteries business in Australia with a number of attractive features, including its national scale and leading market position, portfolio of exclusive and/or long dated licences and approvals, recognised brands and innovative products, strong cash flow generation, digital upside and annuity-like qualities.

In the medium to longer term, the outcome will depend on the future performance of the businesses (relative to other listed companies), any corporate transactions (e.g. a scrip merger that increases the size of the business), as well as the extent of index membership changes for other companies through takeovers (or other delistings) and larger IPOs (or other new listing).

6.7.2 Dividends

Following implementation of the Demerger, the level of dividends paid will be a matter for the boards of each of the companies having regard to a range of company specific factors. However:

- Tabcorp currently anticipates that any final dividend for FY22 (which is yet to be determined and will be subject to business performance and all necessary Board approvals) will be paid in or around September 2022 by New Tabcorp with reference to the earnings of:
 - The Lottery Corporation for the five months prior to the Demerger; and
 - New Tabcorp for 2HY22¹⁰¹.

It is expected that any 2HY22 dividend to be paid by New Tabcorp will be determined based on the target dividend payout ratio of Tabcorp (i.e. 70-80% of NPAT excluding significant items).

¹⁰¹ 2HY22 is the six months ending 30 June 2022.

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The Lottery Corporation expects that it is likely to pay its first dividend in or around March 2023, which will be an interim dividend for 1HY23, with reference to the seven months of earnings post Demerger;

- relative to Tabcorp's current target dividend payout ratio of 70-80% of NPAT excluding significant items:
 - The Lottery Corporation intends to initially target a dividend payout ratio of 70-90% of NPAT excluding significant items (i.e. consistent with or higher than the current target); and
 - New Tabcorp intends to initially target a dividend payout ratio of 50-70% of NPAT excluding significant items (i.e. consistent with or lower than the current target); and
- if the Demerger proceeds, it is estimated that, in aggregate, incremental corporate and operating costs of approximately \$32 million will be incurred annually as well as potential ongoing incremental technology costs, albeit the quantum of these is uncertain and The Lottery Corporation and New Tabcorp currently anticipate that they will be able to offset part or all of the estimated ongoing incremental technology costs by cost reductions achieved through continuation of a form of the 3S program in both companies.

On this basis, while the level of dividends paid will be a matter for the boards of each of the companies, the aggregate dividends paid by The Lottery Corporation and New Tabcorp should, at least initially, be similar to those that would have been paid by Tabcorp in the absence of the Demerger¹⁰².

In relation to the level of franking of dividends, New Tabcorp's accumulated franking credits will be impacted by:

- the reduction in tax instalment income as a result of The Lottery Corporation entities that were previously members of the Tabcorp tax consolidated group no longer being members of Tabcorp's tax consolidated group following the Demerger; and
- the extent of its non-Australian sourced earnings (expected to be minimal).

However, Tabcorp had accumulated franking credits of \$158.0 million at 31 December 2021 and it is currently expected that New Tabcorp's franking account balance will be in the range \$175-190 million immediately following the Demerger. Consequently, New Tabcorp is expected to be able to continue to pay fully franked dividends subsequent to the Demerger.

The Lottery Corporation's ability to frank future dividends will depend on the amount of Australian income tax paid in the future. While it will start with an initial franking credit balance of nil, all of its earnings are expected to be sourced from Australia. As a result, The Lottery Corporation's dividends are expected to be fully franked.

6.7.3 Ineligible Overseas Shareholders

Ineligible overseas shareholders will continue to hold their Tabcorp shares but will not be entitled to receive The Lottery Corporation shares under the Demerger. Shares in The Lottery Corporation that would otherwise have been distributed to them will be transferred to a sale agent and sold on the ASX on their behalf and they will receive the net proceeds (free of any brokerage costs or stamp duty but after deducting any applicable withholding tax). Ineligible overseas shareholders may also be required to pay tax on any profit on that disposal (in their country of residence). However:

- shares in The Lottery Corporation will be sold for market value;

¹⁰² By way of example, Tabcorp paid a dividend of 14.5 cents per share in FY21, representing an 80% dividend payout ratio (i.e. at the top end of its dividend payout ratio range of 70-80%). On a pro forma basis, assuming a dividend payout ratio of the mid-point of the range for each of The Lottery Corporation and New Tabcorp (80% and 60% respectively, which is conservative in comparison to Tabcorp's actual dividend payout ratio), the pro forma FY21 dividends were 11.32 cents per share for The Lottery Corporation and 3.13 cents per share for New Tabcorp (i.e. aggregate dividends of 14.46 cents per share).

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- they can acquire The Lottery Corporation shares through the ASX following listing if they wish to retain (or increase) their exposure to the Lotteries & Keno business; and
- shareholders representing around 0.1% of Tabcorp registered shareholders and less than 0.02% of Tabcorp's issued shares are expected to be impacted by the ineligible overseas shareholder provisions.

6.7.4 Selling Shareholders

Certain Tabcorp shareholders will be able to elect to have their shares sold on the ASX via share sale facilities. Tabcorp shareholders who:

- hold 500 or less Tabcorp shares on the Demerger record date (25 May 2022) may elect to have all of The Lottery Corporation shares that they would otherwise receive under the scheme sold; and/or
- hold 2,000 or less Tabcorp shares on the Demerger record date may elect to have all of those Tabcorp shares that they would otherwise hold following the Demerger sold.

In this case, selling shareholders:

- will receive the net proceeds (free of any brokerage costs or stamp duty but after deducting any applicable withholding tax) following sale of the shares in The Lottery Corporation and/or New Tabcorp for market value; and
- will not be able to defer the capital gains consequences of the Demerger. However, the net cash proceeds will be available to meet any capital gains tax liability.

6.8 Taxation Issues

6.8.1 Corporate Taxation

The Demerger is not expected to result in any capital gains tax ("CGT") or income tax liability for Tabcorp.

The CGT consequences of the Demerger are set out in Division 125 of the *Income Tax Assessment Act 1997 (Cth)* ("the demerger provisions"). Tabcorp is seeking a class ruling from the Australian Taxation Office ("ATO") confirming that demerger tax relief is available to it under the demerger provisions (i.e. the transfer of The Lottery Corporation shares to Tabcorp shareholders will have no CGT implications for Tabcorp).

In addition (and separate to the ATO class ruling), based on current estimates, no taxable capital gains are expected to arise to Tabcorp as a result of the deconsolidation of The Lottery Corporation group from the existing Tabcorp tax consolidation group. However, this position will continue to be monitored as it will be determined at the time of the Demerger.

Tabcorp has unused capital losses. These losses are expected to be preserved within New Tabcorp. The Lottery Corporation has no Australian unused income tax losses or capital losses.

Following implementation of the Demerger, Tabcorp Holdings Limited will remain the head company of the New Tabcorp Australian tax consolidated group. The Lottery Corporation will exit Tabcorp's Australian tax consolidated group and will form a new Australian income tax consolidated group following implementation of the Demerger.

6.8.2 Tax Consequences for Australian Resident Shareholders

The Demerger is not expected to give rise to any adverse tax consequences for shareholders who are residents of Australia for income tax purposes and hold Tabcorp shares on capital account.

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Tabcorp has applied to the ATO for a class ruling to confirm the Australian income tax consequences of the Demerger for Australian resident shareholders. Tabcorp has received a draft of the class ruling which sets out the ATO's preliminary views. In summary, for Australian resident shareholders who hold their shares on capital account and elect to obtain demerger tax relief, the tax consequences of the Demerger are expected to be as follows:

- any capital gain that arises in relation to the capital reduction will be disregarded;
- the demerger dividend (i.e. the difference between the fair value of The Lottery Corporation shares and the amount of the capital reduction) will not be assessable to Australian resident shareholders; and
- the existing cost base of their Tabcorp shares will be apportioned between the New Tabcorp shares and The Lottery Corporation shares on the basis of market values of the respective shares immediately following the Demerger.

For Australian resident shareholders who hold their shares on capital account and do not elect to obtain demerger tax relief, the CGT consequences are expected to be similar to shareholders who elect to obtain demerger tax relief except that the cost base of the Tabcorp shares must be reduced by the amount of the capital reduction and, to the extent that the capital reduction amount exceeds the cost base, will realise a capital gain. Any capital gain may be eligible for the CGT discount concession.

6.8.3 Disclaimer

The analysis set out above outlines that major tax consequences for Australian resident shareholders of the Demerger and should be viewed as indicative only. It does not purport to represent formal advice regarding the taxation consequences of the Demerger for shareholders. Further details of the taxation consequences of the Demerger are set out in Section 6 of the Demerger Booklet. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

The non-Australian taxation implications for non-Australian resident Tabcorp shareholders will depend on the country of domicile of the shareholder. Non-Australian residents should seek their own taxation advice in relation to the taxation consequences of the Demerger.

6.9 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Demerger is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Demerger, the responsibility for which lies with the directors of Tabcorp.

In any event, the decision whether to vote for or against the Demerger is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Demerger, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Tabcorp (pre or post Demerger) or The Lottery Corporation. These are investment decisions upon which Grant Samuel does not offer an opinion and they are independent of a decision on whether to vote for or against the Demerger. Shareholders should consult their own professional adviser in this regard.

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7 Impact on Tabcorp's Ability to Pay its Creditors

7.1 Approach

If the Demerger is approved, Tabcorp will undertake a capital reduction and declare a demerger dividend (which together comprise the demerger distribution). The demerger distribution will result in a reduction in Tabcorp's shareholders' funds. However, it will not be distributed in cash but instead will be used on behalf of shareholders as consideration for The Lottery Corporation shares.

Grant Samuel has been requested to express an opinion as to whether the capital reduction associated with the Demerger materially prejudices Tabcorp's ability to pay its existing creditors.

Section 256B(1)(b) of the Corporations Act provides that a company may reduce its share capital if the capital reduction, among other things, does not materially prejudice the company's ability to pay its creditors. While this requirement relates only to the capital reduction (and not the demerger dividend¹⁰³):

- the capital reduction and demerger dividend will occur concurrently;
- the amount of the demerger distribution will be equal to the volume weighted average price of The Lottery Corporation shares for its first five trading days; and
- the allocation between capital reduction and demerger dividend will be determined by the relative market values of New Tabcorp and The Lottery Corporation.

Consequently, the quantum of the capital reduction is unknown at this point. It is therefore difficult to assess whether the capital reduction by itself will materially prejudice Tabcorp's ability to pay its existing creditors. However, the nature of a demerger means that the analysis does not rest on the actual quantum as the underlying financial effects are the same regardless of the actual amount of the capital reduction or the demerger dividend.

Strictly, the question applies only to the head company (i.e. Tabcorp Holdings Limited) but, as it is party to a deed of cross guarantee (see below), the issue needs to be addressed in terms of the whole group. While the position of, and the effect on, each creditor of Tabcorp will depend on the nature of their exposure, the particular entity with which they have contracted, the nature of any security they hold (e.g. lessors) and the term of their credit, the question of a company's ability to pay creditors is, in Grant Samuel's view, best dealt with in terms of the aggregate corporate group's ability to pay (rather than individual subsidiaries or groups of subsidiaries).

7.2 Background

Creditors of Tabcorp are subject to two key sets of arrangements:

- **Deed of Cross Guarantee**

Tabcorp Holdings Limited and certain of its wholly owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others in the event of their winding up (the "Closed Group").

The Closed Group comprises most (but not all) of the Australian subsidiaries of Tabcorp and includes most of the Lotteries & Keno and Gaming Services businesses as well as the Australian entities of the Wagering & Gaming business.

The subsidiaries outside the Closed Group mostly comprise Tabcorp's international businesses, Sky Racing World LLC and PGI; and

¹⁰³ Although it is noted that Section 254T(1)(c) of the Corporations Act provides that a company must not pay a dividend unless payment of the dividend does not materially prejudice the company's ability to pay its creditors. This provision would apply to payment of the demerger dividend.

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■ **Guarantor Group/Negative Pledge Arrangements**

Tabcorp Finance Pty Ltd, a wholly owned subsidiary of Tabcorp Holdings Limited (the head company), is the primary borrowing entity for the group's syndicated borrowing facilities and the US private placement notes¹⁰⁴. There is no common terms deed. However, the syndicated facility agreement and US private placement note programs:

- have a guarantor group (which is required to include subsidiaries which represent not less than 85% of group EBITDA and group assets);
- include negative pledge style provisions which are subject to customary carveouts; and
- contain financial covenants in relation to leverage (net borrowings/EBITDA) and interest cover (EBIT/net interest).

The net effect of these arrangements is that:

- creditors of entities in the Closed Group have access (e.g. in a winding up) to all the assets of the Closed Group and the net assets of the entities outside the Closed Group;
- creditors of entities outside the Closed Group have access (e.g. in a winding up) only to the assets of the individual entities with whom they have contracted;
- the creditors outside the Closed Group effectively have a priority access (relative to creditors of the Closed Group) to the assets in their respective entities but from a Closed Group creditor's perspective the offset is that they have no rights to access the assets of the Closed Group entities; and
- creditors of all entities in the Tabcorp group have access to the group's liquidity (i.e. cash or undrawn borrowing capacity). This arrangement means that individual companies outside the Closed Group could be subject to substantial movements in cash, debt and intercompany balances.

Accordingly, any individual creditor's exposure involves a complex interplay of liquidity and asset backing. In summary, they are dependent on the financial health of both:

- the Closed Group or the individual entity (if outside the Closed Group) depending on their counterparty; and
- Tabcorp as a whole.

7.3 Impact of the Demerger

The Demerger will result in two independent corporate groups, The Lottery Corporation and New Tabcorp. Creditors will shift their exposure to one or the other.

The current deed of cross guarantee will continue on foot for New Tabcorp. However, the Closed Group will be adjusted to reflect the excision of Lotteries & Keno business. It will include virtually all of New Tabcorp's businesses (except for Sky Racing World LLC and PGI).

The Lottery Corporation will enter into a new deed of cross guarantee that will cover The Lottery Corporation itself (i.e. the parent company) and the Lotteries & Keno business. It will include virtually all of The Lottery Corporation's businesses. It is expected that this new deed of cross guarantee will be entered into before 30 June 2022.

As part of the Demerger, a revocation deed has been lodged with ASIC to revoke the guarantee in respect of The Lottery Corporation and its subsidiaries (i.e. the deed of guarantee will continue in effect for New Tabcorp). The revocation will take effect six months after the date of lodgement (i.e. 16 May 2022).

¹⁰⁴ The only other borrowing entity is The Lotteries Corporation Limited (formerly Tattersalls Holdings Pty Ltd) in relation to an overdraft facility with Westpac Banking Corporation.

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Both The Lottery Corporation and New Tabcorp have put in place guarantor groups and negative pledge arrangements under their respective banking arrangements which allow for the same kind of liquidity flexibility as the existing Tabcorp arrangement.

7.4 Evaluation

The issue relating to a capital reduction materially prejudicing the ability to pay creditors arises because:

- existing creditors will have formed their own views about whether or not to extend credit to Tabcorp, at least in part, on the basis of Tabcorp's existing financial parameters including operating cash flows (e.g. quantum and volatility) and capital structure (e.g. the amount of shareholders' equity and the degree of financial leverage); and
- capital reductions (which are traditionally cash returns to shareholders) change the risk profile for a creditor by changing the financial position of the entity or group. Specifically, they:
 - reduce shareholders' funds (i.e. equity capital);
 - reduce cash resources and/or increase debt; and
 - reduce net operating cash flows (reduced interest income and/or increased interest expense).

Accordingly, there is a concern as to whether creditors interests have been materially adversely impacted by a capital reduction. However, the question in relation to a capital reduction or a demerger distribution (combining both the demerger dividend and capital reduction components) in connection with a "clean" demerger is different:

- there is no cash return to shareholders (i.e. no cash is removed from the group except for transaction and implementation costs). The financial structure of the business is, in total, unchanged. The equity capital base is not reduced, it is simply being split between two new corporate groups. Similarly, debt is split between the two groups; and
- some Tabcorp group creditors will remain creditors of Tabcorp (and its subsidiaries), operating as New Tabcorp (without the Lotteries & Keno business). Others will become creditors of The Lottery Corporation (and its subsidiaries). It is therefore not just a question of the impact on the continuing entity (New Tabcorp) but also the position of creditors of the demerged entity (The Lottery Corporation).

In Grant Samuel's view, the critical issue is how the existing financial indebtedness of the group has been allocated between the two new groups and whether or not:

- the allocation fairly balances and reflects differences between the two groups in terms of their overall creditworthiness and, in particular, factors such as:
 - cash flow generating capacity (e.g. EBITDA, working capital and capital expenditure requirements); and
 - cash flow stability (e.g. sensitivity to macroeconomic factors, competitive and market dynamics); and
- the allocation endangers the financial sustainability of either group.

In the case of the Demerger:

- aggregate operating cash flows across the two businesses is not materially changed by the Demerger. There are incremental cash operating costs estimated at approximately \$32 million across New Tabcorp and The Lottery Corporation (as well as potential ongoing incremental technology costs), but these are relatively minor in the context of Tabcorp overall and The Lottery Corporation and New Tabcorp currently anticipate that they will be able to offset part of all of the estimated ongoing

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incremental technology costs by cost reductions achieved through continuation of a form of the 3S program in both companies; and

- the vast majority of borrowings has been allocated to The Lottery Corporation (\$2.2 billion pro forma net borrowings as at 31 December 2021). This decision reflects The Lottery Corporation's relative size (in EBITDA terms), strong cash flow generation (low capital intensity) and earnings/cash flow stability (as evidenced over the last three and a half years).

The Lottery Corporation operates in a mature sector. It is Australia's leading lottery operator and is also licenced to provide Keno products in most eastern States and Territories. The most important driver of earnings and cash flow are macroeconomic factors such as population growth, growth in household disposable income and changes in the propensity to gamble (although Keno expenditure is generally more sensitive to macroeconomic factors and performance is closely related to in-venue dynamics). It has a long track record of achieving organic growth, generating strong and stable earnings and cash flows through economic cycles and benefits from low ongoing capital expenditure requirements. Moreover, its business is underpinned by a portfolio of exclusive and/or long dated licences to operate lotteries in key States (New South Wales and Queensland). The Victorian licence is shorter term (expires in 2028) but there is a reasonable prospect of renewal (even if at a cost).

In any event, The Lottery Corporation's financial leverage is manageable, if not conservative on some metrics. For example, based on pro forma FY21 results and the financial position at 31 December 2021:

THE LOTTERY CORPORATION – KEY LEVERAGE METRICS

| | PARAMETER |
|--|-----------|
| FY21 interest cover ²⁹ | 6.5x |
| Leverage (net borrowings) ³⁶ (31 December 2021) | 3.3x |
| Gearing ³⁷ (31 December 2021) | 97.5% |

Source: Demerger Booklet and Grant Samuel analysis

These ratios are well within the covenants agreed with the US private placement noteholders and the banks providing The Lottery Corporation's new debt facilities.

The Lottery Corporation currently intends to target a strong BBB investment grade credit rating (it will apply for a credit rating prior to implementation of the Demerger) and currently intends to target a leverage (net borrowings) ratio of 3.5-4.0 times. Its pro forma leverage (net borrowings) ratio at 31 December 2021 of 3.3 times is below bottom end of this range;

- New Tabcorp is a more challenging business from a credit perspective given the rapidly changing and highly competitive environment in which it operates, its regulatory framework and racing industry arrangements, coupled with the severe impact of the COVID-19 pandemic on its performance in recent years. However, from a creditor's perspective:
 - the Wagering & Media business is the primary contributor to New Tabcorp's earnings and cash flows (representing more than 90% of pro forma FY21 revenue and 85% of pro forma FY21 EBITDA) and this business has shown some resilience, as evidenced by turnaround in performance in FY21 following the lifting of COVID-19 pandemic restrictions (albeit heightened competition for customer acquisition in a largely digital market drove increased customer generosity, advertising and promotions, which reduced margins). New Tabcorp also has as a key strategic priority striving to deliver a more sustainable wagering industry and there is upside potential for the Wagering & Media business to the extent that this eventuates;
 - the Gaming Services business has been a more problematic business, suffering acutely during the COVID-19 pandemic (without any recovery in revenue or earnings in FY21) and reporting EBIT

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losses since FY20. However, it represents a very small part of New Tabcorp's business and there is a strategic focus on simplifying and streamlining the Gaming Services business; and

- \$200 million of New Tabcorp's total pro forma net borrowings at 31 December 2021 of \$169 million related to lease liabilities. Excluding lease liabilities, New Tabcorp had a net cash position of \$31 million on a pro forma basis at 31 December 2021 (i.e. minimal drawn debt under its syndicated bank loan facility). Further, New Tabcorp had very conservative leverage metrics (both absolutely and relative to Tabcorp):

TABCORP VS NEW TABCORP – KEY LEVERAGE METRICS

| | TABCORP REPORTED/RESTATED | TABCORP POST DEMERGER PRO FORMA |
|---|------------------------------|---------------------------------------|
| Net borrowings (including lease liabilities) (31 December 2021) | 2,056 | 172 |
| FY21 interest cover ²⁹ | 4.5x | 11.3x |
| Leverage (net borrowings) ³⁶ (31 December 2021) | 2.2x | 0.7x |
| Gearing ³⁷ (31 December 2021) | 23.3% | 5.6% |

Source: Demerger Booklet and Grant Samuel analysis

These ratios are also well within the covenants agreed with the banks providing New Tabcorp's new debt facilities.

New Tabcorp intends to target a leverage (net borrowings) ratio of 1.0-1.5 times. Its pro forma leverage (net borrowings) ratio at 31 December 2021 of 0.7 times is below the bottom end of this range;

- both entities have committed medium term (and in the case of The Lottery Corporation, long term) debt facilities and sufficient unutilised capacity within those facilities:

THE LOTTERY CORPORATION AND NEW TABCORP – FACILITY PROFILES

| | THE LOTTERY CORPORATION | NEW TABCORP |
|--|----------------------------|----------------------|
| US private placement notes | \$1,948 million | - |
| Syndicated bank loan facilities | \$950 million | \$950 million |
| Total facilities | \$2,898 million | \$950 million |
| Pro forma gross borrowings at 31 December 2021 | \$2,581 million | \$140 million |

Source: Tabcorp, Demerger Booklet and Grant Samuel analysis

- the providers of the new syndicated bank loan facilities to New Tabcorp and The Lottery Corporation and the US private placement noteholders who have agreed to the effective transfer of the notes to The Lottery Corporation have made their own judgements as to the financial risk of each entity in full knowledge of their positions as creditors of the respective post Demerger groups and the impact of the Demerger. The syndicated bank loan facilities and the US private placement notes are all unsecured (although subject to negative pledge style provisions which are subject to customary carveouts) and therefore lenders are in the same position as all trade and other creditors. These funding commitments are effectively "third party endorsements" and suggest that the financial gearing of The Lottery Corporation and New Tabcorp is sustainable and that the companies have the financial capacity to pay their respective creditors; and
- as substantial listed companies, New Tabcorp and The Lottery Corporation would, if necessary, have access to the public equity markets to raise funds to support creditor payments (although there is absolutely no indication that this might be required).

In summary, the financial indebtedness appears to have been fairly allocated so that there is no obvious disadvantage to creditors of either group. There are no "red flags" in terms of the overall financial health of either entity from a creditor's perspective.

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Accordingly, in Grant Samuel's opinion, the capital reduction associated with the Demerger does not materially prejudice the ability of Tabcorp to pay its existing creditors.

7.5 Other Factors

Other factors relevant to creditors include the following:

- most trade creditors are short term in nature (i.e. typically repayable within 60 days at any point in time) and accordingly:
 - their existing debts will be repaid within, say, 2-3 months and they will have the opportunity at the time of implementation of the Demerger to reassess for themselves whether they wish to continue to grant credit to New Tabcorp or The Lottery Corporation; and
 - in relation to any credit exposure to entities within the Closed Group, they will be covered by the existing deed of cross guarantee until it takes effect on 16 May 2022. Therefore they will continue to have access to all of the resources of the current Tabcorp deed of cross guarantee group (i.e. there is no change to their risk profile) until this time. While the excision of The Lottery Corporation's businesses will occur prior to implementation of the Demerger (which is expected to occur on 1 June 2022), in this context, it is important to note that the capital reduction is non-cash, so there is no net cash outflow of cash (except for transaction and implementation costs) from the combined New Tabcorp and The Lottery Corporation group as a consequence of the Demerger.

In this respect, the primary trade creditors at risk from the Demerger are those with exposures that are medium to longer term in nature. This includes lessors (New Tabcorp had lease liabilities of \$200 million on a pro forma basis at 31 December 2021) and prizes payable to the winners of certain lottery games where winnings are payable for up to 20 years (The Lottery Corporation had a non-current prizes payable liability of \$276 million on a pro forma basis at 31 December 2021). However, lessors are protected through ownership of the underlying assets (e.g. properties) and prizes payable are held in separate term deposits that are not treated as cash; and

- the directors of Tabcorp have stated that in their opinion, the capital reduction and the demerger dividend will not materially prejudice Tabcorp's ability to pay its existing creditors.

7.6 Disclaimer

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Tabcorp at the date of this report or at any subsequent time. Grant Samuel's opinion relates only to the impact of the Demerger on Tabcorp's ability to pay its existing creditors. Future creditors must rely on their own investigations of the financial positions of The Lottery Corporation and New Tabcorp.

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8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 580 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD and Stephen Wilson MCom (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Mitchell Skene BEng (Hons) BCom assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Demerger is in the best interests of shareholders and whether the capital reduction associated with the Demerger materially prejudices Tabcorp's ability to pay its existing creditors. Grant Samuel expressly disclaims any liability to any Tabcorp shareholder who relies or purports to rely on the report for any other purpose and to any other party (including any creditor of Tabcorp) who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Demerger Booklet issued by Tabcorp and has not verified or approved any of the contents of the Demerger Booklet. Grant Samuel does not accept any responsibility for the contents of the Demerger Booklet (except for this report).

Grant Samuel has had no involvement in Tabcorp's due diligence investigation in relation to the Demerger Booklet and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of Tabcorp.

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Tabcorp or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Demerger.

Grant Samuel advises that it was retained by Tatts to prepare an independent expert's report on the combination of Tatts and Tabcorp dated 8 September 2017.

Grant Samuel had no part in the formulation of the Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$775,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

GRANT SAMUEL



8.4 Declarations

Tabcorp has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving negligence, wilful misconduct or breach of law by Grant Samuel. Tabcorp has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Tabcorp are limited to an amount equal to the total fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Tabcorp. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. In particular, certain aspects of the Demerger (including composition of the Boards and executive leadership teams and pro forma financial information) were not finalised until after the provision of the full draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Demerger Booklet to be sent to shareholders of Tabcorp. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

30 March 2022

Grant Samuel & Associates

Annexure B

Independent Limited Assurance Report

INDEPENDENT LIMITED ASSURANCE REPORT



Ernst & Young Strategy and
Transactions Limited
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

30 March 2022

The Board of Directors
Tabcorp Holdings Limited
Tower 2, Level 21
727 Collins Street
Docklands VIC 3008

The Board of Directors
The Lottery Corporation Limited
Tower 2, Level 21
727 Collins Street
Docklands VIC 3008

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON TABCORP HISTORICAL FINANCIAL INFORMATION, NEW TABCORP HISTORICAL FINANCIAL INFORMATION AND THE LOTTERY CORPORATION PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Tabcorp Holdings Limited ("Tabcorp") and The Lottery Corporation Limited ("The Lottery Corporation") to report on the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information, as defined below, for inclusion in the demerger booklet dated on or about 30 March 2022 (the "Demerger Booklet") and issued by Tabcorp, in respect of the proposed demerger of The Lottery Corporation from Tabcorp, to be implemented through the corporate restructure, the scheme, capital reduction and dividend and The Lottery Corporation listing (the "Demerger").

Expressions and terms defined in the Demerger Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the Corporations Act 2001. Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). David Lomax is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

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2. Scope

Tabcorp Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following historical financial information of Tabcorp:

- ▶ the Tabcorp historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 8 of Section 4.11.3 of the Demerger Booklet;
- ▶ the Tabcorp historical balance sheet as at 31 December 2021 as set out in Table 18 of Section 4.11.10 of the Demerger Booklet; and
- ▶ the Tabcorp historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 15 of Section 4.11.7 of the Demerger Booklet.

(Hereafter the "Tabcorp Historical Financial Information").

The Tabcorp Historical Financial Information for the years ended 30 June 2019, 30 June 2020 and 30 June 2021 has been derived from the consolidated financial statements of Tabcorp for the years ended 30 June 2020 (which includes the restated comparative financial information for the year ended 30 June 2019) and 30 June 2021, which were audited by Ernst and Young in accordance with Australian Auditing Standards. Ernst and Young issued unqualified audit opinions on these financial statements. The Tabcorp Historical Financial Information for the half years ended 31 December 2020 and 31 December 2021 has been derived from the interim consolidated financial statements of Tabcorp for the half year ended 31 December 2021 (which includes the comparative financial information for 31 December 2020), which was reviewed by Ernst and Young and on which unqualified limited assurance conclusion was issued.

The Tabcorp Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement requirements of Australian Accounting Standards ("AAS").

New Tabcorp Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of Tabcorp following the Demerger ("New Tabcorp"):

- ▶ the New Tabcorp pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 9 of Section 4.11.4 of the Demerger Booklet;
- ▶ the New Tabcorp pro forma historical balance sheet as at 31 December 2021 as set out in Table 18 of Section 4.11.10 of the Demerger Booklet; and
- ▶ the New Tabcorp pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 16 of Section 4.11.8 of the Demerger Booklet.

The New Tabcorp Pro Forma Historical Financial Information has been derived from the Tabcorp Historical Financial Information, and adjusted for the effects of pro forma adjustments described in Tables 11, 12 and 13 of Section 4.11.4, Table 18 of Section 4.11.10 and Table 17 of Section 4.11.8 of the Demerger Booklet.

The New Tabcorp Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement requirements of AAS other than that it



includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred as at 31 December 2021 in the pro forma historical balance sheet and from 1 July 2018 in the pro forma historical income statements and the pro forma historical cash flows.

The New Tabcorp pro forma historical income statements and cash flows for the years ended 30 June 2019, 30 June 2020 and the half year ended 31 December 2020 have been presented before financing costs and income tax expense because the financing arrangements and tax structure under which Tabcorp operated during the periods presented do not reflect the anticipated financing and tax structure of New Tabcorp post Demerger. Financing costs and income tax expense have been presented for the most recent year ended 30 June 2021 and the half year ended 31 December 2021 to reflect the illustrative impact of these costs on the most recent periods.

Due to its nature, the New Tabcorp Pro Forma Historical Financial Information does not represent New Tabcorp's actual or prospective financial position, financial performance, or cash flows post Demerger.

The Lottery Corporation Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of The Lottery Corporation:

- ▶ The Lottery Corporation pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 1 of Section 3.13.3 of the Demerger Booklet;
- ▶ The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 as set out in Table 5 of Section 3.13.8 of the Demerger Booklet; and
- ▶ The Lottery Corporation pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 4 of Section 3.13.6 of the Demerger Booklet.

(Hereafter "The Lottery Corporation Pro Forma Historical Financial Information").

The Lottery Corporation Pro Forma Historical Financial Information has been derived from the historical financial information directly related to The Lottery Corporation in Tabcorp's accounting records, and adjusted for the effects of pro forma adjustments described in Section 3.13.1, Table 2 of Section 3.13.3 and Table 5 of Section 3.13.8 of the Demerger Booklet. These accounting records were used to generate Tabcorp's consolidated financial statements for the years ended 30 June 2019, 30 June 2020, 30 June 2021 and the half years ended 31 December 2020 and 31 December 2021.

The Lottery Corporation Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement requirements of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred as at 31 December 2021 in the pro forma historical balance sheet and from 1 July 2018 in the pro forma historical income statements and the pro forma historical cash flows.

The Lottery Corporation pro forma historical income statements and cash flows for the years ended 30 June 2019, 30 June 2020 and the half year ended 31 December 2020 have been presented before financing costs and income tax expense because the financing arrangements and tax structure under which it operated during the periods presented do not reflect the anticipated financing and tax structure of The



Lottery Corporation post Demerger. Financing costs and income tax expense have been presented for the most recent year ended 30 June 2021 and the half year ended 31 December 2021 to reflect the illustrative impact of these costs on the most recent periods.

Due to its nature, The Lottery Corporation Pro Forma Historical Financial Information does not represent The Lottery Corporation's actual or prospective financial position, financial performance, or cash flows.

The Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information is presented in the Demerger Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Tabcorp and The Lottery Corporation (the "Directors") are responsible for the preparation and presentation of the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Tabcorp Historical Financial Information and included in the New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information.



5. Conclusions

Tabcorp Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Tabcorp Historical Financial Information comprising:

- ▶ the Tabcorp historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 8 of Section 4.11.3 of the Demerger Booklet;
- ▶ the Tabcorp historical balance sheet as at 31 December 2021 as set out in Table 18 of Section 4.11.10 of the Demerger Booklet; and
- ▶ the Tabcorp historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 15 of Section 4.11.7 of the Demerger Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in 4.11.1 of the Demerger Booklet.

New Tabcorp Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the New Tabcorp Pro Forma Historical Financial Information:

- ▶ the New Tabcorp pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 9 of Section 4.11.4 of the Demerger Booklet;
- ▶ the New Tabcorp pro forma historical balance sheet as at 31 December 2021 as set out in Table 18 of Section 4.11.10 of the Demerger Booklet; and
- ▶ the New Tabcorp pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 16 of Section 4.11.8 of the Demerger Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.11.1 of the Demerger Booklet.

The Lottery Corporation Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that The Lottery Corporation Pro Forma Historical Financial Information comprising:

- ▶ The Lottery Corporation pro forma historical income statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 1 of Section 3.13.3 of the Demerger Booklet;
- ▶ The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 as set out in Table 5 of Section 3.13.8 of the Demerger Booklet; and
- ▶ The Lottery Corporation pro forma historical cash flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, and the half years ended 31 December 2020 and 31 December 2021 as set out in Table 4 of Section 3.13.6 of the Demerger Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 3.13.1 of the Demerger Booklet.

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6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 3.13.1 and 4.11.1 of the Demerger Booklet, which describes the purpose of the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information. As a result, the Tabcorp Historical Financial Information, New Tabcorp Pro Forma Historical Financial Information and The Lottery Corporation Pro Forma Historical Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Demerger Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Demerger other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Strategy and Transactions Limited

David Lomax
Director and Representative

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30 March 2022

| |
|---|
| THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT |
|---|

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young **Strategy and Transactions Limited** ("Ernst & Young Strategy and Transactions" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$121,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

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9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

| | |
|---|--|
| Contacting Ernst & Young Strategy and Transactions Limited AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555 | Contacting the Independent Dispute Resolution Scheme: Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678 |
|---|--|

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

Scheme of arrangement



SCHEME OF ARRANGEMENT



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Scheme of arrangement

Tabcorp Holdings Limited

Tabcorp Shareholders

80 Collins Street Melbourne Vic 3000 Australia
GPO Box 128 Melbourne Vic 3001 Australia

T +61 3 9288 1234 F +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne



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Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Tabcorp

Tabcorp Holdings Limited

ABN 66 063 780 709 of Tower 2, Level 21, 727 Collins Street,
Docklands, Melbourne VIC 3008

(**Tabcorp**)

Tabcorp Shareholders Holders of fully paid ordinary shares in Tabcorp

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

| Term | Meaning |
|---|---|
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ABN 98 008 624 691), or the financial market operated by it as the context requires. |
| ASX Listing Information Memorandum | the information memorandum lodged by The Lottery Corporation with ASX in connection with The Lottery Corporation's application for admission to the official list of ASX. |
| ASX Settlement | ASX Settlement Pty Limited (ABN 49 008 504 532) as the holder of a licence to operate a clearing and settlement facility. |
| Business Day | has the meaning given to that term in the Listing Rules. |

SCHEME OF ARRANGEMENT *continued*



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| Term | Meaning |
|--|---|
| Capital Reduction | the reduction in the capital of Tabcorp by the Capital Reduction Amount to be applied equally against each Tabcorp Share on issue as at the Record Date in accordance with the terms of the Capital Reduction Resolution. |
| Capital Reduction Amount | <p>the amount of the capital of Tabcorp that is to be reduced in accordance with the Capital Reduction Resolution, calculated as follows:</p> $A = (B / (B + C)) \times D$ <p>where:</p> <p>A = Capital Reduction Amount;</p> <p>B = The Lottery Corporation Market Value;</p> <p>C = Tabcorp Market Value; and</p> <p>D = the balance in the Tabcorp share capital account immediately prior to the Implementation Date.</p> |
| Capital Reduction Entitlement | in relation to a Scheme Participant, the Capital Reduction Pro-Rata Amount multiplied by the number of Tabcorp Shares held by the Scheme Participant on the Record Date. |
| Capital Reduction Pro-Rata Amount | the Capital Reduction Amount divided by the number of Tabcorp Shares on issue on the Record Date. |
| Capital Reduction Resolution | the ordinary resolution concerning the Capital Reduction to be considered by Tabcorp Shareholders at the General Meeting in the form set out in the Tabcorp notice of general meeting. |
| CHESS | Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth) and the regulations made under that Act. |
| Court | the Supreme Court of New South Wales. |
| Deed Poll | the deed poll by The Lottery Corporation in favour of Scheme Participants in the form of Annexure D of the Demerger Booklet (subject to any amendments permitted by its terms). |



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| Term | Meaning |
|--|--|
| Demerger | the proposed demerger of The Lottery Corporation from Tabcorp, to be implemented through: <ol style="list-style-type: none">1 the corporate restructure steps set out in the agreement between Tabcorp and The Lottery Corporation dealing with certain corporate restructuring steps;2 the Scheme, Demerger Dividend and Capital Reduction; and3 the listing of The Lottery Corporation on the ASX. |
| Demerger Booklet | the demerger booklet explaining the Demerger and containing, among other things, the Scheme, an explanatory statement in relation to the Scheme as required by Part 5.1 of the Corporations Act and the notice of meeting for the Scheme Meeting. |
| Demerger Dividend | the special dividend for an amount, per Tabcorp Share, which is equal to the Demerger Dividend Pro-Rata Amount. |
| Demerger Dividend Amount | the Distribution Amount less the Capital Reduction Amount. |
| Demerger Dividend Pro-Rata Amount | the Demerger Dividend Amount divided by the number of Tabcorp Shares on issue at the Record Date. |
| Demerger Dividend Entitlement | in relation to a Scheme Participant, the Demerger Dividend Pro-Rata Amount multiplied by the number of Tabcorp Shares held by the Scheme Participant on the Record Date. |
| Demerger Dividend Resolution | a resolution of the board of directors of Tabcorp to approve the declaration of a dividend equal to the Demerger Dividend Pro-Rata Amount for each Tabcorp Share on issue at the Record Date. |
| Distribution Amount | the VWAP of The Lottery Corporation Shares on ASX, whether on a deferred or normal settlement basis, over the first five trading days after the Effective Date, multiplied by the number of Tabcorp Shares on issue at the Record Date. |
| Distribution Entitlement | one The Lottery Corporation Share for each Tabcorp Share held at the Record Date. |
| Effective Date | the date on which the office copy of the Court order approving the Scheme is lodged with ASIC pursuant to section 411(10) of the Corporations Act. |

SCHEME OF ARRANGEMENT *continued*



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| Term | Meaning |
|--|---|
| Eligible Shareholder | <p>a Scheme Participant whose registered address on the Tabcorp Register as at the Record Date is in:</p> <ol style="list-style-type: none"> 1 Australia, Canada, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States of America; or 2 any other jurisdiction in respect of which Tabcorp reasonably believes that it is not prohibited and not unduly onerous or impractical to issue The Lottery Corporation Shares to a Tabcorp Shareholder with a registered address in such jurisdiction. |
| End Date | 31 July 2022 or such later date as is specified by Tabcorp. |
| General Meeting | the general meeting of Tabcorp Shareholders convened to consider, among other things, the Capital Reduction Resolution and includes any adjournment of that meeting. |
| Government Agency | a government or a governmental, semi-governmental or judicial entity or authority. It also includes a self-regulatory organisation established under statute or a stock exchange. |
| Group | Tabcorp and any of its subsidiaries, including The Lottery Corporation and any of its subsidiaries. |
| Implementation Date | 1 June 2022 or such other date as determined by Tabcorp. |
| Ineligible Overseas Shareholder | a Scheme Participant who as at the Record Date is not an Eligible Shareholder. |
| Listing Rules | the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX. |
| Record Date | the date for determining entitlements to The Lottery Corporation Shares in accordance with clause 3.3, being 7.00pm (Sydney time) on 25 May 2022 or such other date as determined by Tabcorp. |
| Regulatory Approvals | such approvals, consents, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Tabcorp, desirable in connection with or to implement the Demerger. |



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| Term | Meaning |
|-----------------------------|--|
| Regulatory Authority | includes: <ol style="list-style-type: none">1 ASX and ASIC;2 a government or governmental, semi-governmental or judicial entity or authority;3 a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and4 any regulatory organisation established under statute. |
| Sale Agent | the nominee appointed by Tabcorp to sell or facilitate the transfer of The Lottery Corporation Shares or Tabcorp Shares (as applicable) attributable to Ineligible Overseas Shareholders and Selling Shareholders as contemplated by clause 4 of the Scheme and in accordance with the Sale Facilities. |
| Sale Facilities | the facilities to be established by Tabcorp under which The Lottery Corporation Shares and/or Tabcorp Shares may be sold, as the context requires, and as described more fully in Section 5.6 of the Demerger Booklet. |
| Sale Period | the period on and from the Implementation Date to and including the 15 th Business Day after that date (or, subject to obtaining any necessary ASIC exemptions or waivers, such longer period of time which Tabcorp and the Sale Agent determine). |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between Tabcorp and the Tabcorp Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act. |
| Scheme Meeting | the meeting of Tabcorp Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider the resolution set out in the notice of meeting for the Scheme set out in Annexure E of the Demerger Booklet, and includes any adjournment of that meeting. |
| Scheme Participant | subject to clause 5.1, a Tabcorp Shareholder as at the Record Date. |
| Second Court Date | the date on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard (or, if adjourned to a later date, that date). |

SCHEME OF ARRANGEMENT *continued*



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| Term | Meaning |
|--------------------------------|---|
| Selling Shareholder | <p>a Small Shareholder who elects to have sold using the Sale Facilities:</p> <ol style="list-style-type: none"> 1 all The Lottery Corporation Shares that they would otherwise receive under the Scheme; and/or 2 all Tabcorp Shares that they would otherwise hold following the Demerger. |
| Small Shareholder | <p>an Eligible Shareholder who:</p> <ol style="list-style-type: none"> 1 holds 500 Tabcorp Shares or less as at the Record Date and therefore may elect to have all The Lottery Corporation Shares that they would otherwise receive under the Scheme sold using the Sale Facilities; and/or 2 holds 2000 Tabcorp Shares or less as at the Record Date and therefore may elect to have all Tabcorp Shares that they would otherwise hold following the Demerger sold using the Sale Facilities. |
| Tabcorp | Tabcorp Holdings Limited (ABN 66 063 780 709). |
| Tabcorp Group | Tabcorp and any of its subsidiaries, other than The Lottery Corporation and any of its subsidiaries. |
| Tabcorp Market Value | the VWAP of Tabcorp Shares for the first 5 Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of Tabcorp Shares on issue on the Record Date. |
| Tabcorp Registry | Link Market Services Limited (ABN 54 083 214 537) in its capacity as provider of registry services in respect of the register of members of Tabcorp. |
| Tabcorp Share | a fully paid ordinary share in Tabcorp. |
| Tabcorp Shareholder | a person who is registered in the register of member of Tabcorp as the holder of a Tabcorp Share. |
| The Lottery Corporation | The Lottery Corporation Limited (ABN 21 081 925 706). |
| The Lottery | the VWAP of The Lottery Corporation Shares for the first 5 |



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| Term | Meaning |
|--|--|
| Corporation Market Value | Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of The Lottery Corporation Shares transferred to Tabcorp Shareholders under the Demerger (which will equal the number of Tabcorp Shares on issue on the Record Date). |
| The Lottery Corporation Share | a fully paid ordinary share in The Lottery Corporation. |
| The Lottery Corporation Shareholder | a person who is registered in the register of members of The Lottery Corporation as a holder of a The Lottery Corporation Share following implementation of the Demerger. |
| VWAP | the volume weighted average price of the relevant shares traded on the ASX during the relevant period except for trades otherwise than in the ordinary course of trading. |

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, Australia;



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- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this document, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (q) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (r) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (s) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (t) a reference to the Listing Rules and the market operating rules of ASX includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Scheme components

This Scheme includes any schedule to it.



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2 Conditions

2.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) Tabcorp Shareholders approving this Scheme by the required majorities under the Corporations Act at the Scheme Meeting;
- (b) Tabcorp Shareholders passing the Capital Reduction Resolution by the required majority under the Corporations Act at the General Meeting;
- (c) all Regulatory Approvals being obtained and not revoked either unconditionally or on conditions reasonably satisfactory to Tabcorp;
- (d) ASX approving the admission of The Lottery Corporation to the official list of ASX and the official quotation of The Lottery Corporation Shares on ASX, subject only to this Scheme taking effect and any other conditions which are acceptable to Tabcorp and The Lottery Corporation; and
- (e) the Court approving this Scheme in accordance with section 411(4)(b) of the Corporations Act (either unconditionally and without alteration or with alterations or conditions consented to in accordance with clause 6.5) and the lodgement with ASIC of an office copy of that Court order pursuant to section 411(10) of the Corporations Act.

2.2 Certificate

- (a) Tabcorp will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within its knowledge) whether or not all of the conditions precedent (other than the condition in clause 2.1(e)) have been satisfied.
- (b) The certificate referred to in clause 2.2(a) constitutes conclusive evidence of the status of conditions precedent represented in the certificate.

2.3 Effective Date

Subject to the satisfaction of the conditions precedent set out in clause 2.1 and subject to clause 2.4 of this Scheme, this Scheme will come into effect on and from the Effective Date.

2.4 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

3 Implementation of this Scheme

3.1 Lodgement of Court orders with ASIC

Tabcorp must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as



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possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

3.2 Implementation of the Capital Reduction, Demerger Dividend and Scheme

On the Implementation Date, without the need for any further act by any Scheme Participant, Tabcorp will:

- (a) reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
- (b) pass the Demerger Dividend Resolution and declare the Demerger Dividend;
- (c) apply the Capital Reduction Entitlement and the Demerger Dividend Entitlement of each Scheme Participant in accordance with clause 3.3; and
- (d) be obliged to pay the Distribution Amount to Tatts Group Limited.

3.3 Entitlements of Scheme Participants

The Capital Reduction Entitlement and Demerger Dividend Entitlement of each Scheme Participant will, on the Implementation Date, be applied (without the need for any further act by a Scheme Participant) as follows:

- (a) for each Eligible Shareholder, by Tabcorp as consideration in full for the transfer to that Eligible Shareholder of that number of The Lottery Corporation Shares which is equal to one The Lottery Corporation Share for each Tabcorp Share held by that Eligible Shareholder on the Record Date;
- (b) for each Ineligible Overseas Shareholder, by Tabcorp as consideration in full for the transfer to the Sale Agent of that number of The Lottery Corporation Shares which is equal to one The Lottery Corporation Share for each Tabcorp Share held by that Ineligible Overseas Shareholder on the Record Date;
- (c) for each Selling Shareholder, by Tabcorp as consideration in full for the transfer to the Sale Agent of that number of The Lottery Corporation Shares which is equal to one The Lottery Corporation Share for each Tabcorp Share held by that Selling Shareholder on the Record Date,

in accordance with clause 3.4.

3.4 Transfer of The Lottery Corporation Shares

The obligations of Tabcorp under clause 3.3 will be discharged by Tabcorp procuring:

- (a) that Tatts Group Limited transfers all The Lottery Corporation Shares to the Scheme Participants (or in the case of Ineligible Overseas Shareholders and Selling Shareholders, to the Sale Agent) in the numbers determined in accordance with clause 3.3; and
- (b) the entry in the register of members of The Lottery Corporation:
 - (1) of the name of each Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) in respect of The Lottery Corporation Shares transferred to the relevant Scheme Participant; or
 - (2) of the name of the Sale Agent in respect of those The Lottery Corporation Shares referred to in:
 - (A) clause 3.3(b) for Ineligible Overseas Shareholders; and



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(B) clause 3.3(c) for Selling Shareholders.

3.5 Despatch of holding statements

As soon as practicable after the Implementation Date and in accordance with the Listing Rules, Tabcorp will procure that The Lottery Corporation sends to each Scheme Participant (who is not an Ineligible Overseas Shareholder or Selling Shareholder) or the Sale Agent (as applicable), holding statements for The Lottery Corporation Shares transferred in accordance with clause 3.3, by pre-paid post to their registered address at the Record Date, or as otherwise directed by the relevant Scheme Participant or Sale Agent.

3.6 Joint holders

In the case of Scheme Participants (who are not Ineligible Overseas Shareholders or Selling Shareholders) who are joint holders of Tabcorp Shares:

- (a) entry in the register of members of The Lottery Corporation must take place in the same order as the holders' names appear in the Tabcorp Register; and
- (b) holding statements in relation to The Lottery Corporation Shares will be issued in the name of the joint holders and will be forwarded to the holder whose name appears first in the Tabcorp Register on the Record Date.

3.7 Status of The Lottery Corporation Shares

Tabcorp, in procuring that Tatts Group Limited transfers The Lottery Corporation Shares to a Scheme Participant or the Sale Agent pursuant to clause 3.4, is deemed to have warranted to the relevant transferee that each such The Lottery Corporation Share is, at the date of the transfer, fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests, whether legal or otherwise, of the Tabcorp Group or any person claiming through, under or in trust for the Tabcorp Group, and restrictions on transfer of any kind, and that it has full power and capacity to transfer The Lottery Corporation Shares to Scheme Participants and the Sale Agent (together with any rights and entitlements attaching to those The Lottery Corporation Shares) pursuant to the Scheme.

4 Sale Facilities

4.1 The Sale Facilities

Tabcorp will procure in accordance with the terms of the Sale Facilities that:

- (a) the Sale Agent, as soon as reasonably practicable (and in any event no later than the end of the Sale Period), sells on ASX all The Lottery Corporation Shares transferred to the Sale Agent under clause 3.4 in consideration for the application of the Distribution Entitlement of that Ineligible Overseas Shareholder or Selling Shareholder:
 - (1) the Tabcorp Registry accounts to each Ineligible Overseas Shareholder or Selling Shareholder (as applicable) for the proceeds of sale and any income attributable to those The Lottery Corporation Shares (on an averaged basis so that Ineligible Overseas Shareholders and Selling Shareholders receive the same price per



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The Lottery Corporation Share, subject to rounding up to the nearest whole cent); and

- (2) for each Ineligible Overseas Shareholder and Selling Shareholder, the Tabcorp Registry remits the proceeds of sale due to each Ineligible Overseas Shareholder and Selling Shareholder to the Ineligible Overseas Shareholder or Selling Shareholder (as the context requires) no later than 7 Business Days after the end of the Sale Period, such amounts to be despatched by:
 - (A) direct credit to an account with an Australian bank nominated by the Ineligible Overseas Shareholder or Selling Shareholder with the Tabcorp Registry as at the Record Date; or
 - (B) where an Australian account has not been nominated by an Ineligible Overseas Shareholder or Selling Shareholder for the purpose of paragraph 4.1(a)(2)(A), cheque to be mailed to the address of that Ineligible Overseas Shareholder or Selling Shareholder as shown in the Tabcorp Register at the Record Date or in the case of an Ineligible Overseas Shareholder or Selling Shareholder who is a joint holder of Tabcorp Shares, by cheque issued in the name of the joint holders and to be mailed to the address of that Ineligible Overseas Shareholder or Selling Shareholder as shown in the Tabcorp Register whose name appears first in the Tabcorp Register on the Record Date. This does not apply if the Ineligible Overseas Shareholder or Selling Shareholder does not have a registered address, or where Tabcorp believes that such Ineligible Overseas Shareholder or Selling Shareholder is not known at their registered address.
- (b) where an Eligible Shareholder has elected to have all Tabcorp Shares that they would otherwise hold following the Demerger (up to a maximum of 2,000 Tabcorp Shares) sold using the Sale Facilities, the Sale Agent, as soon as reasonably practicable (and in any event no later than the end of the Sale Period), sells on ASX all such Tabcorp Shares:
 - (1) the Tabcorp Registry accounts to each Selling Shareholder for the proceeds of sale and any income attributable to those Tabcorp Shares (on an averaged basis so that Selling Shareholders receive the same price per Tabcorp Share, subject to rounding up to the nearest whole cent); and
 - (2) for each Selling Shareholder, the Tabcorp Registry remits the proceeds of sale due to each Selling Shareholder to the Selling Shareholder no later than 7 Business Days after the end of the Sale Period, such amounts to be despatched by:
 - (A) direct credit to an account with an Australian bank nominated by the Selling Shareholder with the Tabcorp Registry as at the Record Date; or
 - (B) where an Australian bank account has not been nominated by a Selling Shareholder for the purpose of paragraph 4.1(b)(2)(A), cheque to be mailed to the address of that Selling Shareholder as shown in the Tabcorp Register at the Record Date or in the case of a Selling Shareholder who is a joint holder of Tabcorp Shares, by cheque issued in the name of the joint holders and to be mailed to the address of



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that Selling Shareholder as shown in the Tabcorp Register whose name appears first in the Tabcorp Register on the Record Date. This does not apply if the Selling Shareholder does not have a registered address, or where Tabcorp believes that such Selling Shareholder is not known at their registered address.

4.2 Satisfaction of obligations

Tabcorp, by complying with the terms of clause 4.1 in respect of an Ineligible Overseas Shareholder or Selling Shareholder, will be taken to have satisfied and discharged its obligations to the relevant Ineligible Overseas Shareholder or Selling Shareholder under the terms of the Capital Reduction Resolution, the Demerger Dividend Resolution and the Scheme. An Ineligible Overseas Shareholder or Selling Shareholder will have no claim against Tabcorp or The Lottery Corporation for any entitlement they would have had to The Lottery Corporation Shares but for the terms of this Scheme.

4.3 Acknowledgement

Under this Scheme, each Ineligible Overseas Shareholder and Selling Shareholder (including those Ineligible Overseas Shareholders and Selling Shareholders who do not attend the Scheme Meeting to approve the Scheme or General Meeting to approve the Capital Reduction Resolution, do not vote at either meeting or vote against the Scheme or Capital Reduction Resolution) agrees and acknowledges that the sale in respect of that person's Distribution Entitlement under the Sale Facilities or this Scheme by operation of clause 4.1 constitutes satisfaction of all that person's entitlements in and to that person's Distribution Entitlement.

4.4 Appointment as agent

Each Ineligible Overseas Shareholder and Selling Shareholder appoints Tabcorp as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent to that Ineligible Overseas Shareholder or Selling Shareholder.

5 Dealings in Tabcorp Shares

5.1 Tabcorp Register

Subject to the Corporations Act, the Listing Rules and the operating rules of ASX Settlement, the establishment of who are Scheme Participants and their respective entitlements, will be determined solely on the basis of the Tabcorp Register and this Scheme.

5.2 Determination of Scheme Participants

To establish the identity of the Scheme Participants and their respective entitlements, dealings in Tabcorp Shares or other alterations to the Tabcorp Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Tabcorp Register as the holder of the relevant Tabcorp Shares on or before the Record Date; and



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- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Record Date at the Tabcorp Registry,

and Tabcorp will not accept for registration, nor recognise for any purpose, any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6 General Scheme provisions

6.1 Agreement to become a member of The Lottery Corporation

Under this Scheme, each Scheme Participant (including those Scheme Participants who do not attend the Scheme Meeting to approve the Scheme or General Meeting to approve the Capital Reduction Resolution, do not vote at either meeting or vote against the Scheme or Capital Reduction Resolution) who will receive The Lottery Corporation Shares:

- (a) agrees to become a member of The Lottery Corporation, to have their name entered in The Lottery Corporation Share Register, accepts The Lottery Corporation Shares transferred to them and agrees to be bound by the constitution of The Lottery Corporation; and
- (b) agrees and acknowledges that the transfer of The Lottery Corporation Shares in accordance with clause 3.3 constitutes satisfaction of all that person's entitlements in and to that person's Distribution Entitlement,

without the need for any further act by a Scheme Participant.

This clause 6.1 does not apply to Ineligible Overseas Shareholders and Selling Shareholders.

6.2 Appointment of agent and attorney

- (a) Each Scheme Participant, without the need for any further act, irrevocably appoints Tabcorp as its agent and attorney for the purpose of executing any document or doing any other act necessary or desirable to give effect to the terms of this Scheme, including without limitation:
 - (1) the execution and delivery of any form or document required to effect the transfer of The Lottery Corporation Shares to Eligible Shareholders, the Sale Agent or any other person in accordance with the terms of this Scheme, and the delivery of any such form to The Lottery Corporation;
 - (2) executing any document or doing any other act necessary to give effect to the terms of this Scheme, including, without limitation, the communication of the Eligible Shareholder's consent, agreement, notification or instructions under clauses 4, 6.1, 6.3, 6.4 or 6.5; and
 - (3) the enforcement of the Deed Poll against The Lottery Corporation, and Tabcorp accepts such appointment.
- (b) Tabcorp, as agent of each Scheme Participant, may sub-delegate its functions under clause 6.2(a) to all or any of its directors and secretaries (jointly and severally).



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6.3 Instructions to Tabcorp

To the extent permitted by law, binding instructions or notifications between an Eligible Shareholder and Tabcorp relating to Tabcorp Shares or an Eligible Shareholder's status as a Tabcorp Shareholder (including, without limitation, any instructions in relation to payment of dividends (excluding Tabcorp dividend investment plan) or communications from Tabcorp) will, from the Record Date, be deemed by reason of this Scheme to be similarly binding instructions or notifications to, and accepted by, The Lottery Corporation in respect of The Lottery Corporation Shares transferred to Eligible Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to The Lottery Corporation at its share registry.

6.4 Scheme Participants' consent

Each Scheme Participant irrevocably consents to Tabcorp doing all things necessary, incidental or expedient to the implementation and performance of the Scheme and acknowledges that the Scheme binds Tabcorp and all of the Scheme Participants from time to time (including those who do not attend the Scheme Meeting to approve the Scheme or the General Meeting to approve the Capital Reduction Resolution, do not vote at either meeting or vote against the Scheme or Capital Reduction Resolution).

6.5 Amendments to the Scheme

Tabcorp may, by its counsel and with the consent of The Lottery Corporation, consent, on behalf of all persons concerned (including a Scheme Participant), to any alterations or conditions to this Scheme as the Court thinks just to impose.

6.6 Further steps

Tabcorp will execute all documents and do all acts and things necessary or desirable for the implementation and performance of its obligations under this Scheme and will, on behalf of Scheme Participants, procure The Lottery Corporation to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps attributed to The Lottery Corporation under this Scheme.

6.7 Scheme binding

To the extent of any inconsistency between this Scheme and the constitution of Tabcorp, this Scheme overrides the constitution of Tabcorp and binds Tabcorp and all Scheme Participants.

6.8 Enforcement of Deed Poll

Tabcorp undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against The Lottery Corporation on behalf of and as agent and attorney for Scheme Participants.



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7 General

7.1 Costs and stamp duty

Tabcorp will pay any costs, and any stamp duty and any related fines or penalties, which are payable on or in respect of this Scheme or on any document referred to this Scheme, including, without limitation, all brokerage and stamp duty payable in connection with the transfer of The Lottery Corporation Shares to Scheme Participants (or in the case of Ineligible Overseas Shareholders and Selling Shareholders, to the Sale Agent) in accordance with this Scheme.

7.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Tabcorp, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Tabcorp's registered office or at the office of the Tabcorp Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or General Meeting or the non-receipt of such notice by a Tabcorp Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting, the General Meeting or the proceedings of the Scheme Meeting or General Meeting.

7.3 Governing law and jurisdiction

- (a) This Scheme is governed by the law in force in Victoria, Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.4 No liability when acting in good faith

Each Scheme Participant agrees that neither Tabcorp nor The Lottery Corporation nor any director, officer, secretary or employee of either of those companies will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure D

Deed Poll



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Deed

Execution version

Deed Poll

The Lottery Corporation Limited

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Deed Poll

Date ► 25 March 2022

This deed poll is made by

The Lottery
Corporation

The Lottery Corporation Limited ABN 21 081 925 706 of Tower 2,
Level 21, 727 Collins Street, Docklands, Melbourne VIC 3008

in favour of

each holder of fully paid ordinary shares in Tabcorp Holdings Limited
ABN 66 063 780 709 (**Tabcorp**) as at the Record Date (**Scheme
Participants**)

Recitals

- 1 On or about the date of this deed poll, The Lottery Corporation and Tabcorp entered into the Demerger Implementation Deed.
 - 2 In the Demerger Implementation Deed, The Lottery Corporation agreed to enter into this deed poll.
 - 3 The Lottery Corporation is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations under the Demerger Implementation Deed and the Scheme.
-

This deed poll witnesses:

1 Definitions and interpretation

1.1 Definitions

Unless indicated otherwise, terms defined in the Scheme have the same meaning as in this deed poll. In addition, in this deed poll the following terms have the meaning set out below.

| Term | Meaning |
|-------------------------------------|---|
| Demerger Implementation Deed | the Demerger Implementation Deed entered into by Tabcorp and The Lottery Corporation on or about the date of this deed poll in relation to the implementation of the Scheme, and the other steps required for the Demerger. |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between Tabcorp and Tabcorp Shareholders as set out in the Demerger Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act. |

1.2 Interpretation

In this deed poll:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this deed poll;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this deed poll have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed poll;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this deed poll) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) the word 'includes' in any form is not a word of limitation;
- (j) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;



- (k) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Australia;
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this deed poll; and
- (m) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Nature of deed poll

The Lottery Corporation acknowledges that this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it.

2 Condition to obligations

2.1 Conditions

The Lottery Corporation's obligations under this deed poll are subject to the satisfaction of each of the conditions in clause 2.1 of the Scheme.

2.2 Termination

If the conditions precedent in clause 2.1 of the Scheme are not satisfied on or before the End Date (or such later date agreed by Tabcorp and The Lottery Corporation in writing and, if required, approved by the Court), subject to clause 2.3, The Lottery Corporation's obligations under this deed poll will automatically terminate.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) The Lottery Corporation is released from its obligations to further perform this deed poll; and
- (b) Scheme Participants retain the rights they have against The Lottery Corporation in respect of any breach of this deed poll which occurs before it is terminated.

3 Transfer of The Lottery Corporation Shares

3.1 Agreement to become members of The Lottery Corporation

Under clause 6.1 of the Scheme, each Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) provides their agreement to become a

member of The Lottery Corporation, to have their name entered in The Lottery Corporation Share Register, to accept The Lottery Corporation Shares transferred to them and to be bound by The Lottery Corporation Constitution.

3.2 Obligation to update The Lottery Corporation Share Register

On the Implementation Date, The Lottery Corporation must enter into The Lottery Corporation Share Register:

- (a) each Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) in respect of The Lottery Corporation Shares to which they are entitled under the Scheme; and
- (b) the Sale Agent, in respect of The Lottery Corporation Shares transferred to the Sale Agent and referable to the Ineligible Overseas Shareholders and Selling Shareholders, under the Scheme.

3.3 Confirmation of allotment

- (a) In accordance with clause 3.5 of the Scheme, as soon as practicable after the Implementation Date and in accordance with the Listing Rules, The Lottery Corporation must despatch or procure the despatch to:
 - (1) each Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) holding statements for The Lottery Corporation Shares to which they are entitled under the Scheme; and
 - (2) the Sale Agent the holding statements for The Lottery Corporation Shares transferred to the Sale Agent in respect of the Ineligible Overseas Shareholders and Selling Shareholders, by prepaid post to their registered address as at the Record Date, unless that Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) or Sale Agent has validly directed otherwise.
- (b) In the case of Scheme Participants (who are not Ineligible Overseas Shareholders or Selling Shareholders) who are joint holders of Tabcorp Shares:
 - (1) entry in The Lottery Corporation Register must take place in the same order as the holders' names appear in the Tabcorp Register; and
 - (2) holding statements in relation to The Lottery Corporation Shares will be issued in the name of the joint holders and will be forwarded to the holder whose name appears first in the Tabcorp Register on the Record Date.
- (c) This clause 3.3 does not apply to a Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) who does not have a registered address, or where Tabcorp and The Lottery Corporation believe that such Scheme Participant (other than Ineligible Overseas Shareholders and Selling Shareholders) is not known at their registered address.



4 Other Obligations of The Lottery Corporation

4.1 Official quotation of The Lottery Corporation Shares

The Lottery Corporation must apply for admission of The Lottery Corporation to the official list of ASX and apply for the granting by ASX of permission for official quotation of The Lottery Corporation Shares to be transferred pursuant to the Scheme on a financial market operated by ASX, subject only to the Scheme taking effect and such other conditions that are acceptable to the Tabcorp Board and The Lottery Corporation Board.

4.2 General

The Lottery Corporation covenants in favour of Scheme Participants to perform:

- (a) the steps attributed to it under, and otherwise comply with, the Scheme as if a party to the Scheme; and
- (b) all steps required of it under, and to otherwise comply with, the Demerger Implementation Deed (insofar as it relates to the Scheme).

5 Warranties

The Lottery Corporation represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform, or cause to be performed, its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding on it.

6 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) The Lottery Corporation has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

7 Notices

7.1 How and where Notices may be sent

A notice or other communication in respect of this deed poll (**Notice**) must be in writing and delivered by hand or sent by pre-paid post or email to The Lottery Corporation at the address or the email address for The Lottery Corporation set out below or as otherwise specified by The Lottery Corporation by Notice:

Attention: Company Secretary

Address: Tower 2, Level 21, 727 Collins Street, Docklands, Melbourne VIC 3008

Email address: patrick.mcglinchey@tabcorp.com.au

7.2 Notices to be in legible writing in English

A Notice to or by The Lottery Corporation must be in legible writing and in English.

7.3 How a Notice must be signed

A Notice must be signed by the person giving the Notice or by a person duly authorised by that person.

7.4 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 7.1).

7.5 When Notices are taken to have been given and received

- (a) A Notice sent by post is regarded as given and received in the ordinary course of post.
- (b) A Notice sent by email is regarded as given and received when the email (including any attachment) comes to the attention of the recipient or a person acting on the recipient's behalf.
- (c) A Notice delivered or received other than on a Business Day or after 4.00pm (recipient's time) is regarded as received at 9.00am on the following Business Day and a Notice delivered or received before 9.00am (recipient's time) is regarded as received at 9.00am.

8 General

8.1 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria, Australia.
- (b) The Lottery Corporation irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. The Lottery Corporation irrevocably waives any objection to the venue of



any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

8.2 Waiver

- (a) The Lottery Corporation may not rely on the words or conduct of any Scheme Participant as a waiver of any right unless the waiver is in writing and signed by the Scheme Participant granting the waiver.
- (b) No Scheme Participant may rely on the words or conduct of The Lottery Corporation as a waiver of any right unless the waiver is in writing and signed by The Lottery Corporation
- (c) The meanings of the terms used in this clause are set out below.

| Term | Meaning |
|----------------|---|
| conduct | includes delay in the exercise of a right. |
| right | any right arising under or in connection with this deed poll and includes the right to rely on this clause. |
| waiver | includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel. |

8.3 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Tabcorp in writing (and if required, the Court), in which event The Lottery Corporation will enter into a further deed poll in favour of the Scheme Participants giving effect to the amendment.

8.4 Cumulative rights

The rights, powers and remedies of The Lottery Corporation and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.5 Assignment

- (a) The rights created by this deed poll are personal to The Lottery Corporation and each Scheme Participant and must not be dealt with at law or in equity.
- (b) Any purported dealing in contravention of clause 8.5(a) is invalid.

8.6 Further action to be taken at The Lottery Corporation's expense

The Lottery Corporation must, at its own expense (unless agreed to be borne by Tabcorp), do all things and execute all documents necessary to give effect to this deed poll.



HERBERT
SMITH
FREEHILLS


Signing page

Executed as a deed poll

Signed sealed and delivered for
The Lottery Corporation Limited
by

sign here ► 
~~Company Secretary~~ Director

print name PATRICK MCGLINCHEY

sign here ► 
Director

print name ADAM NEWMAN

Annexure E

Notices of Meeting

NOTICES OF MEETING

14.1 Notice of General Meeting

Notice is hereby given that a general meeting of Tabcorp Shareholders will be held on Thursday, 12 May 2022 at 10:00am (Sydney time) at the Amora Hotel Jamison Sydney, Whiteley Ballroom, 11 Jamison Street, Sydney NSW 2000 and virtually using an online meeting platform accessible at <https://meetings.linkgroup.com/TAHGeneral22> (**General Meeting**).

Business of the meeting

Capital Reduction Resolution

At the General Meeting, Tabcorp Shareholders will be asked to consider and, if thought fit, to pass the following as an ordinary resolution:

"In order to effect the demerger of The Lottery Corporation as described in the booklet of which the notice convening this meeting forms part (**Demerger Booklet**), subject to and conditional on the scheme of arrangement proposed to be made between Tabcorp Holdings Limited (**Tabcorp**) and the holders of its fully paid ordinary shares, to be considered at the meeting of Tabcorp Shareholders this day (**Scheme**) becoming effective in accordance with section 411(10) of the *Corporations Act 2001* (Cth), Tabcorp's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with the reduction to be effected and satisfied by applying such amount equally against each Tabcorp Share on issue at the Record Date (as defined in the Demerger Booklet) in accordance with the Scheme and all other transactions and arrangements described in the Demerger Booklet are approved."

Explanatory Notes

For further details regarding the Capital Reduction Resolution, please read the Explanatory Notes accompanying and forming part of this Notice of Meeting.

Terms used in this notice have the same meaning as set out in the Glossary in Section 9 of this Demerger Booklet, unless indicated otherwise.

If you would like to receive a hard copy of this Notice of General Meeting, please contact the Tabcorp Share Registry.

Dated 30 March 2022

By order of the Board



Chris Murphy
Company Secretary

14.2 Notice of Scheme Meeting

Notice is hereby given that by order of the Court made on Wednesday, 30 March 2022 pursuant to section 411(1) of the Corporations Act, a meeting of Tabcorp Shareholders will be held on Thursday, 12 May 2022 at 10:30am (Sydney time) or as soon after that time as the General Meeting has concluded at the Amora Hotel Jamison Sydney, Whiteley Ballroom, 11 Jamison Street, Sydney NSW 2000 and virtually using an online meeting platform accessible at <https://meetings.linkgroup.com/TAHScheme22> (**Scheme Meeting**).

Information about the Scheme

Information on the scheme of arrangement proposed to be made between Tabcorp and the holders of its fully paid ordinary shares (**Scheme**) is set out in this Demerger Booklet (of which this notice forms part). Terms used in this notice have the same meaning as set out in the Glossary in Section 9 of the Demerger Booklet, unless indicated otherwise.

NOTICES OF MEETING *continued*

Business of the meeting

Scheme Resolution

At the Scheme Meeting, Tabcorp Shareholders will be asked to consider and, if thought fit, to pass (with or without modification) the following resolution:

“That pursuant to, and in accordance with, section 411 of the *Corporations Act 2001* (Cth), the Scheme of Arrangement (the terms of which are described in the Booklet of which the notice convening the Scheme Meeting forms part) is agreed to (with or without modifications as approved by the Supreme Court of New South Wales).”

Dated 30 March 2022

By order of the Court and the Tabcorp Board



Chris Murphy
Company Secretary

14.3 Participating in the Meetings

14.3.1 Participating via the online meeting platform

Due to the potential for restrictions on public gatherings imposed from time to time in response to the coronavirus pandemic (**COVID-19**), we strongly encourage you to participate in the General Meeting and the Scheme Meeting (collectively referred to as the **Meetings**) virtually via the online platform and to submit proxy forms and written questions in advance of the Meetings. Instructions on how to participate in the Meetings via the online platform, including how to vote and ask written and verbal questions, are set out in this Notices of Meeting and the Online Meeting Guide available on the Tabcorp website at www.tabcorp.com.au/investors/demerger.

Shareholders, proxyholders, attorneys and authorised corporate representatives will be able to vote in the Meetings in real time by logging in to the online meeting platform at <https://meetings.linkgroup.com/TAHGeneral22> for the General Meeting and <https://meetings.linkgroup.com/TAHScheme22> for the Scheme Meeting.

By participating in the Meetings online, you will be able to:

- hear the meeting discussion and view presentation slides;
- ask questions while the relevant meeting is progressing; and
- vote during the relevant meeting.

To participate in the Meetings online, you will need a desktop device or mobile/tablet device with internet access.

When you log in to the meeting platform on the morning of the Meetings, you will need to register your details in the platform by providing your name, email address, phone number and company (optional) as well as agreeing to the terms and conditions.

To register as a shareholder and allow you to vote and ask questions, you will also need to provide your SRN/HIN to be verified as a shareholder. Proxyholders will need their proxy number provided by Link Market Services Limited no later than 24 hours before the General Meeting commences.

Once logged in to the online meeting platform, you will then be given details as to how to vote online and ask questions during the Meetings.

Shareholders, proxyholders, attorneys and representatives who are entitled to vote on a resolution at the Meetings will be able to vote at any time between the start of the relevant meeting and the closure of voting announced by the Chairman of the relevant meeting during the relevant meeting.

For assistance with the online meeting platform and how to participate in the Meetings, refer to the instructions in the Online Meeting Guide accessible at www.tabcorp.com.au/investors/demerger. The guide explains how you can check your browser is compatible with the online meeting platform, as well as a step-by-step guide to successfully log in, navigate the site, ask questions and vote online.

Technical difficulties

Technical difficulties may arise during the Meetings. The Chairman of the Meetings has discretion as to whether and how the Meetings should proceed if a technical difficulty arises. In exercising their discretion, the Chairman will have regard to the number of Tabcorp Shareholders impacted and the extent to which participation in the business of the Meetings is affected.

Where considered appropriate, the Chairman of the Meetings may continue to hold the Meetings and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by 7:00pm (Sydney time) on Tuesday 10 May 2022, even if they plan to attend the Meetings in-person or virtually.

In the event of a technological failure that prevents Tabcorp Shareholders from having a reasonable opportunity to participate in the Meetings, Tabcorp will provide an update on its website and the ASX platform to communicate the details of any postponement or adjournment of the Meetings to shareholders. If it becomes necessary to make further alternative arrangements for holding the Meetings, we will give shareholders as much notice as practicable with further information being made available on Tabcorp's website at www.tabcorp.com.au.

14.3.2 Attending and voting in person

While some Tabcorp Shareholders may be able to attend the Meetings physically, for the health and safety of all attendees, Tabcorp will be observing social distancing and any other government requirements that apply at the time. Attendance at the Meetings in person is subject to any COVID-19 restrictions that may be applicable on the day.

Due to the ongoing health and safety risks posed by COVID-19, please note that food and refreshments will not be served. Other restrictions and precautionary measures may also be imposed on attendance if necessary.

All persons attending are asked to arrive at least 30 minutes prior to the time the Meetings are to commence, so that either their shareholding can be checked against the Tabcorp Share Register, or any power of attorney or certificate of appointment of corporate representative verified, and their attendance noted.

Alternate arrangements

In the lead-up to the Meetings, Tabcorp will be closely monitoring the COVID-19 situation in Sydney. If it becomes necessary or appropriate to make alternative or supplementary arrangements to hold the Meetings to those set out in this notice, Tabcorp Shareholders will be given as much notice as possible. Information relating to alternate arrangements will be communicated to shareholders by way of an announcement to the ASX and published on Tabcorp's website at www.tabcorp.com.au.

14.3.3 Webcast

The Meetings will be webcast live from 10:00am (Sydney time) on Thursday, 12 May 2022 and will be accessible via the online meeting platform at <https://meetings.linkgroup.com/TAHGeneral22> for the General Meeting and <https://meetings.linkgroup.com/TAHScheme22> for the Scheme Meeting.

NOTICES OF MEETING *continued*

If you are a visitor, you will not be able to vote or ask questions. If you are a Tabcorp Shareholder and intend to view and listen to the webcast only, you are encouraged to lodge a proxy and submit written questions ahead of the Meetings.

Shareholders who are unable to participate in the Meetings can also watch an archived recording of the webcast after the Meetings which will be available from the Tabcorp website at www.tabcorp.com.au.

14.4 Eligibility to vote

For the purpose of determining the entitlement to vote at the Meetings, all shares in Tabcorp will be taken to be held by those persons at 7:00pm (Sydney time) on Tuesday, 10 May 2022. Transactions registered after this time will be disregarded in determining entitlements to attend and vote at the Meetings.

14.5 Required majorities

- The Capital Reduction Resolution is an ordinary resolution and will be passed if at least 50% of votes cast by Tabcorp Shareholders entitled to vote on the resolution are cast in favour of the resolution.
- The Scheme Resolution must be approved by:
 1. a majority in number of Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy); and
 2. at least 75% of the votes cast on the resolution.
- The vote on each resolution set out in the Notice of General Meeting and the Notice of Scheme Meeting will be decided on a poll as determined by the Chairman of the Meetings, subject to the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the Tabcorp Constitution.
- On a resolution determined by a poll, each registered Tabcorp Shareholder participating in the Meetings, or present by proxy, representative or attorney has one vote for every fully paid ordinary share held.

14.6 Voting by proxy

- Tabcorp Shareholders who are entitled to attend and vote can appoint a proxy to participate in the General Meeting and the Scheme Meeting and vote on their behalf.
- A proxy need not be a Tabcorp Shareholder and can be either an individual or a body corporate.
- A Tabcorp Shareholder can appoint a proxy by lodging the applicable Proxy Form online at www.linkmarketservices.com.au or by completing and returning the applicable Proxy Form enclosed with the Demerger Booklet. Please note that a separate Proxy Form will need to be filled out in relation to each of the General Meeting and Scheme Meeting if you would like to appoint a proxy to act on your behalf at both meetings.
- A Tabcorp Shareholder that is entitled to cast two or more votes may appoint up to two proxies. Where two proxies are appointed, each proxy should be appointed to exercise a specified proportion or number of the shareholder's votes. If the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, then each proxy may exercise half of the votes. An additional proxy form for each of the General Meeting and Scheme Meeting will be supplied by the Tabcorp Share Registry, Link Market Services Limited, on request for the purpose of appointing a second proxy.
- In the case of joint shareholders, the proxy form must be completed by either one or all of the joint shareholders or the proxy appointment made online by either one of the joint shareholders.
- If the shareholder is a corporation, then the proxy form may be executed under its common seal, or by two directors, or by a director and a company secretary, of the corporation. If there is a sole director who is also the sole secretary, then the proxy form may be signed by that person. If there is a sole director and no company secretary, then the sole director may sign alone. Any director or company secretary may lodge a proxy appointment online.
- If a proxy is appointed under a power of attorney, the power of attorney under which the proxy is appointed, or a certified copy of that power of attorney, must accompany the proxy appointment or be provided to Tabcorp's Share Registry, unless the power of attorney has previously been noted by Tabcorp's Share Registry.

- If you intend to appoint the Chairman of the General Meeting and/or Scheme Meeting as your proxy, you can direct the Chairman how to vote by marking the box for the relevant resolutions. If you do not mark the box next to a resolution, then by signing and submitting the Proxy Forms (as applicable), you will be authorising the Chairman to vote as they see fit in respect of the relevant resolution.
- If an appointed proxy does not attend the relevant meeting, the Chairman of the relevant meeting will be taken to have been appointed as the proxy for that meeting. If the proxy appointment specifies the way to vote on a resolution and the appointed proxy does not attend the relevant meeting or attends the relevant meeting but does not vote on the relevant resolution, a directed proxy will default to the Chairman of the relevant meeting who must vote the proxy as directed.
- The Chairman of the Meetings intends to vote all available undirected proxies in favour of each of the resolutions at the General Meeting and Scheme Meeting.
- Proxy forms for the Meetings are enclosed with this Demerger Booklet. To be effective, the proxy forms (together with any power of attorney or authority under which they are signed) must be received by no later than 7:00pm (Sydney time) on Tuesday 10 May 2022 in one of the following ways:
 - **Online:** at www.linkmarketservices.com.au (choose Tabcorp Holdings Limited from the drop-down menu, enter the holding details as shown on the proxy form, and follow the instructions provided to appoint a proxy. Shareholders will be taken to have signed their proxy form if they make their proxy appointment in accordance with the instructions on the website);
 - **By mail:** by posting it to the Tabcorp Share Registry, in the reply paid envelope provided (where applicable) or to the following address or the Tabcorp registered office:
 Tabcorp Holdings Limited
 c/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235; or
 - **Fax:** by faxing it to the Tabcorp Share Registry at +61 2 9287 0309; or
 - **By hand:** by depositing it at the Tabcorp Share Registry, during normal business hours (and subject to public health orders and restrictions) at the following address:
 Link Market Services Limited
 Level 12
 680 George Street
 Sydney NSW 2000.

If you complete and return a proxy form, you may still attend the Meetings in person or watch the Meetings using the online platform as a 'guest' and you will not revoke your proxy appointment. However, if you have appointed a proxy and participate in and vote at the Meetings by registering your holding, the authority of your proxy to participate and vote on your behalf will be automatically suspended.

14.7 Voting by corporate representative

A corporate shareholder or proxy that is a corporation and entitled to attend and vote at the Meetings must appoint an individual to act as its corporate representative.

Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with Tabcorp or the Tabcorp Share Registry prior to the Meetings.

If the appointment of a corporate representative is made under power of attorney, the power of attorney under which the appointment is made, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been provided to the Tabcorp Share Registry.

You may obtain an 'Appointment of Corporate Representative' form from the Tabcorp Share Registry or online at www.linkmarketservices.com.au.

14.8 Voting by attorney

A Tabcorp Shareholder entitled to attend and vote at a meeting may appoint an attorney to act on the shareholder's behalf at the Meetings. An attorney may but need not be a member of Tabcorp.

The power of attorney appointing the attorney must be duly signed and specify the name of each of the member, Tabcorp and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of that power of attorney, must be received by the deadline for submission of proxy forms referred to above. The power of attorney, or certified copy, must be provided to Tabcorp's Share Registry, Link Market Services Limited, in the same manner as outlined above for proxy forms.

14.9 Explanatory notes

Capital Reduction Resolution

The Capital Reduction Resolution is being put to shareholders to obtain approval under section 256C of the Corporations Act to an equal capital reduction in Tabcorp Holdings Limited's ordinary share capital under section 256B of the Corporations Act.

The Capital Reduction is a return of capital on Tabcorp Shares which, under the Scheme, will be applied as consideration for the transfer of The Lottery Corporation Shares to Tabcorp Shareholders as at the Record Date (or in the case of Ineligible Overseas Shareholders and Selling Shareholders, to the Sale Agent) in accordance with the Scheme.

Under the Scheme, the Capital Reduction Amount will be calculated as follows:

$$\text{Capital Reduction Amount} = (B/(B+C)) \times D$$

where:

- B = the market value of The Lottery Corporation, calculated as the VWAP of The Lottery Corporation Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of The Lottery Corporation Shares transferred to Tabcorp Shareholders under the Demerger (which will equal the number of Tabcorp Shares on issue on the Record Date);
- C = the market value of Tabcorp, calculated as the VWAP of Tabcorp Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of The Lottery Corporation Shares on the ASX multiplied by the number of Tabcorp Shares on issue on the Record Date; and
- D = the balance in the Tabcorp share capital account immediately prior to the Implementation Date.

The Capital Reduction Resolution is being proposed in connection with the Scheme and is, as a result, conditional on the Scheme becoming Effective. Accordingly, the Capital Reduction Resolution will not come into effect unless and until the Scheme becomes Effective in accordance with section 411(10) of the Corporations Act.

The effect on Tabcorp and its shareholders if the Capital Reduction Resolution is passed, together with all other factors that are material to the making of a decision by Tabcorp Shareholders whether to approve the Capital Reduction Resolution, is set out in the Demerger Booklet, of which this notice forms part.

If the Capital Reduction Resolution is passed by the required majority, it will take effect provided that the Scheme is approved by the required majority of Tabcorp Shareholders and the Court and all other conditions to the Scheme are satisfied (or waived).

The Tabcorp Directors are of the view that, taking into account all relevant matters, the Demerger (which includes the Capital Reduction and the Scheme) is in the best interests of Tabcorp Shareholders and will not materially prejudice Tabcorp's ability to pay its creditors.

Recommendation of the Board

The Board recommends Tabcorp Shareholders vote in favour of the Capital Reduction Resolution and the Scheme Resolution¹.

Each Tabcorp Director intends to vote all Tabcorp Shares controlled by them in favour of the resolutions.

¹ This includes the recommendation of Mr David Attenborough, the current Tabcorp MD & CEO, who will cease employment if the Demerger proceeds and will receive certain entitlements as a consequence (see footnote 2 and Section 7.1.5).

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CORPORATE DIRECTORY

TABCORP HOLDINGS LIMITED

Registered Office
Level 21, Tower 2
727 Collins Street
Melbourne VIC 3008
Website: www.tabcorp.com.au

TABCORP SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Website: www.linkmarketservices.com.au

SHAREHOLDER INFORMATION LINE

1800 550 560 (within Australia) or
+61 1800 550 560 (international) between
8:00am and 7:30pm (Sydney time) on weekdays

FINANCIAL ADVISER

UBS Securities Australia Limited
Level 16, 8 Exhibition Street
Melbourne VIC 3000

LEGAL ADVISER

Herbert Smith Freehills
Level 24, 80 Collins Street
Melbourne VIC 3000

AUDITOR

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT

Ernst & Young Strategy and Transactions Limited
8 Exhibition Street
Melbourne VIC 3000

INDEPENDENT EXPERT

Grant Samuel & Associates Pty Limited
Level 19, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000



Alpha 3000 is manufactured by an ISO 14001 certified mill, and made from elemental chlorine free (ECF) bleached pulp sourced from well-managed forests and controlled sources. This Booklet was printed in Australia by an organisation that is both ISO14001 (Environmental) and ISO9001 (Quality) independently certified.

Tabcorp



The following are sample forms.

APPOINT YOUR PROXY



ONLINE

www.linkmarketservices.com.au



BY MAIL

Tabcorp Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 665 661



X99999999999

PROXY FORM – GENERAL MEETING

This proxy form is an important document and should be read in conjunction with the demerger booklet dated 30 March 2022 issued by Tabcorp Holdings Limited (**Demerger Booklet**). Capitalised terms used in this proxy form have the same meaning as given to them in the Demerger Booklet, unless the context requires otherwise.

I/We being a member(s) of Tabcorp Holdings Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the
General Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the General Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the General Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10am (Sydney time) on Thursday, 12 May 2022 in the Whiteley Ballroom, Amora Hotel Jamison Sydney, 11 Jamison Street, Sydney, New South Wales** (the **General Meeting**) and at any postponement or adjournment of the General Meeting.

You can also participate in the General Meeting via the online platform, available at: <https://meetings.linkgroup.com/TAHGeneral22> (refer to details in the Online Meeting Guide).

The Chairman of the General Meeting intends to vote undirected proxies in favour of the item of business.

VOTING DIRECTIONS

Proxy appointments will only be valid and accepted by the Company if they are received by 7pm (Sydney time) Tuesday, 10 May 2022.

Please read the instructions overleaf regarding voting directions before marking any boxes with an ☒

Item

- In order to effect the demerger of The Lottery Corporation as described in the booklet of which the notice convening this meeting forms part (**Demerger Booklet**), subject to and conditional on the scheme of arrangement proposed to be made between Tabcorp Holdings Limited (**Tabcorp**) and the holders of its fully paid ordinary shares, to be considered at the meeting of Tabcorp Shareholders this day (**Scheme**) becoming effective in accordance with section 411(10) of the Corporations Act, Tabcorp's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with the reduction to be effected and satisfied by applying such amount equally against each Tabcorp Share on issue at the Record Date (as defined in the Demerger Booklet) in accordance with the Scheme and all other transactions and arrangements described in the Demerger Booklet are approved.

For Against Abstain*

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|



* If you mark the Abstain box for the Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

TAH PRX2202A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the General Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the General Meeting as your proxy, please write the name and email address of that individual or body corporate in the space provided in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE GENERAL MEETING

If you do not name a proxy in the relevant section in Step 1, or if your named proxy does not participate in the General Meeting, your proxy appointment will default to the Chairman of the General Meeting. In addition, any directed proxy appointments that are not voted on a poll at the General Meeting will default to the Chairman of the General Meeting, who is required to vote those proxy appointments as directed. Any undirected proxy appointments that default to the Chairman of the General Meeting will be voted according to the instructions set out in this Proxy Form to the extent permitted by law.

VOTING DIRECTIONS

You may direct your proxy how to vote by marking the appropriate boxes opposite the item of business in Step 2. All your relevant shares will be voted in accordance with your directions, to the extent permitted by law. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses, to the extent permitted by law.

To provide your proxy with a direction for all of your holding, place a mark in the relevant box opposite the item of business. If you mark more than one box on the item, your direction on the item will be invalid.

To provide your proxy with a direction in relation to a portion of your shares only, or to provide your proxy with different directions for separate portions of your shares, indicate the relevant portions by inserting the number or percentage of shares in the appropriate box or boxes opposite the item. The sum of the numbers or percentages on the item must not exceed your voting entitlement or 100%, otherwise your directions on the item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to participate in the General Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF PROXY FORM

To be valid, this Proxy Form (and an original or a certified copy of any Power of Attorney under which it is signed) must be received at an address given below by **7pm (Sydney time) Tuesday, 10 May 2022**. Any Proxy Form received after that time will not be valid for the General Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your proxy appointment. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Tabcorp Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)



RECEIVE YOUR COMMUNICATION BY EMAIL

We encourage you to receive all your shareholder communications via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

APPOINT YOUR PROXY



ONLINE

www.linkmarketservices.com.au



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Tabcorp Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 665 661



X99999999999

PROXY FORM – SCHEME MEETING

This proxy form is an important document and should be read in conjunction with the demerger booklet dated 30 March 2022 issued by Tabcorp Holdings Limited (**Demerger Booklet**). Capitalised terms used in this proxy form have the same meaning as given to them in the Demerger Booklet, unless the context requires otherwise.

I/We being a member(s) of Tabcorp Holdings Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



**the Chairman of the
Scheme Meeting
(mark box)**

OR if you are **NOT** appointing the Chairman of the Scheme Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Scheme Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10.30am (Sydney time) on Thursday, 12 May 2022 or as soon after that time as the General Meeting has concluded or been adjourned in the Whiteley Ballroom, Amora Hotel Jamison Sydney, 11 Jamison Street, Sydney, New South Wales** (the **Scheme Meeting**) and at any postponement or adjournment of the Scheme Meeting.

You can also participate in the Scheme Meeting via the online platform, available at: <https://meetings.linkgroup.com/TAHScheme22> (refer to details in the Online Meeting Guide).

The Chairman of the Scheme Meeting intends to vote undirected proxies in favour of the item of business.

VOTING DIRECTIONS

Proxy appointments will only be valid and accepted by the Company if they are received by 7pm (Sydney time) Tuesday, 10 May 2022.

Please read the instructions overleaf regarding voting directions before marking any boxes with an ☒.

Item

- 1 That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the Scheme of Arrangement (the terms of which are described in the Booklet of which the notice convening the Scheme Meeting forms part) is agreed to (with or without modifications as approved by the Supreme Court of New South Wales).

For Against Abstain*

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|



* If you mark the Abstain box for the Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

TAH PRX2201A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Scheme Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Scheme Meeting as your proxy, please write the name and email address of that individual or body corporate in the space provided in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE SCHEME MEETING

If you do not name a proxy in the relevant section in Step 1, or if your named proxy does not participate in the Scheme Meeting, your proxy appointment will default to the Chairman of the Scheme Meeting. In addition, any directed proxy appointments that are not voted on a poll at the Scheme Meeting will default to the Chairman of the Scheme Meeting, who is required to vote those proxy appointments as directed. Any undirected proxy appointments that default to the Chairman of the Scheme Meeting will be voted according to the instructions set out in this Proxy Form to the extent permitted by law.

VOTING DIRECTIONS

You may direct your proxy how to vote by marking the appropriate boxes opposite the item of business in Step 2. All your relevant shares will be voted in accordance with your directions, to the extent permitted by law. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses, to the extent permitted by law.

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APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to participate in the Scheme Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

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- return both forms together.

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You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF PROXY FORM

To be valid, this Proxy Form (and an original or a certified copy of any Power of Attorney under which it is signed) must be received at an address given below by **7pm (Sydney time) Tuesday, 10 May 2022**. Any Proxy Form received after that time will not be valid for the Scheme Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your proxy appointment. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Tabcorp Holdings Limited
C/- Link Market Services Limited
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delivering it to Link Market Services Limited*
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ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

Tabcorp

Tabcorp Holdings Limited

ABN 66 063 780 709

Lodge your form:

Online:

www.tabcorp.com.au/investors/demerger

By Mail:

Tabcorp Holdings Limited – Sale Facility
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

For all enquiries:

Phone:

(within Australia) 1300 665 661
(international) +61 1300 665 661



IID:

SRN/HIN:

19999999999

Record Date: 7.00pm (Sydney time), 25 May 2022

Number of [Securities]

held at [Time] (Time Zone): [XXX]

Last time and date by which Sale Facility Forms must be received by the Tabcorp Share Registry 5pm (Sydney time) on Monday, 23 May 2022.

SALE FACILITY FORM

This is an important document and should be read in conjunction with the demerger booklet dated 30 March 2022 issued by Tabcorp Holdings Limited (**Demerger Booklet**), particularly section 5.6 which describes the Sale Facilities. Capitalised terms used in this form have the same meaning as given to them in the Demerger Booklet, unless the context requires otherwise.

Tabcorp is offering Eligible Shareholders who hold 500 Tabcorp Shares or less as at the Record Date (being 7.00pm (Sydney time) on Wednesday, 25 May 2022), the option to have ALL of The Lottery Corporation Shares which they would otherwise receive under the Demerger sold by the Sale Agent and the proceeds of the sale remitted to them, free of any brokerage costs or stamp duty.

In addition, Eligible Shareholders who hold 2,000 Tabcorp Shares or less as at the Record Date may elect to have ALL of those Tabcorp Shares that they would otherwise hold following the Demerger sold by the Sale Agent and the proceeds of the sale remitted to them, free of any brokerage costs or stamp duty.

Please refer to section 5.6.3 of the Demerger Booklet for further information regarding how the sale proceeds will be calculated and remitted to you.

If you wish to participate in one or both of the Sale Facilities, please complete and return this form or submit your election online at www.tabcorp.com.au/investors/demerger

For your election to be valid, this form or your online election must be received by the Tabcorp Share Registry by 5pm (Sydney time) on Monday, 23 May 2022.

If the Demerger does not proceed, this form will have no effect.

A Sale Election

If you wish to sell through the Sale Facilities **ALL of The Lottery Corporation Shares** that you would otherwise be entitled to receive under the Demerger and/or **ALL of those Tabcorp Shares** that you would otherwise hold following the Demerger, please mark the relevant box or boxes below.

☐

Sell ALL The Lottery Corporation Shares

☐

Sell ALL Tabcorp Shares

B Contact Details

Please provide a daytime telephone number where we can contact you if we have any questions about this form.

Daytime telephone number

Contact name (PRINT)

C Shareholder Signature(s)

By signing and returning this form you confirm that you have read and understood the terms of the Sale Facilities detailed in the Demerger Booklet; understand that ALL of The Lottery Corporation Shares to which you would otherwise be entitled to receive under the Demerger and/or ALL of those Tabcorp Shares that you would otherwise hold following the Demerger (as applicable, based on your above election) will be transferred to the Sale Agent and sold under the relevant Sale Facility; and you authorise that transfer and sale.

Shareholder 1

Individual or Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date

**FOR YOUR ELECTION TO BE VALID, IT MUST BE RECEIVED BY THE TABCORP
SHARE REGISTRY BY 5PM (SYDNEY TIME) ON MONDAY, 23 MAY 2022.**

TAH SSF001



How to complete the Sale Facility Form

Before completing and returning this form, please read carefully the terms of the Sale Facilities detailed in the Demerger Booklet. If you do not understand the terms of the Sale Facilities or if you have any doubts about what to do, please consult your financial or other professional adviser.

Signing Instructions

Joint holders – all holders must sign.

Power of Attorney – if not already noted by the Tabcorp Share Registry, a certified copy of the Power of Attorney must accompany this form. If this Sale Facility Form is signed under power of attorney, the attorney declares that they have no notice of revocation of that power.

Deceased Estate – all executors must sign and, if not already noted by the Tabcorp Share Registry, a certified copy of Probate or Letters of Administration must accompany this form.

Company – this form must be signed by 2 directors or a director and the company secretary. For companies with a sole director and sole company secretary, a single signature only suffices. Titles of all signatories should be indicated and inapplicable titles be deleted.

Lodgement Instructions

The completed form must be forwarded to the Tabcorp Share Registry by 5pm (Sydney time) on Monday, 23 May 2022. A reply paid envelope has been provided to you for these purposes. If you are returning your form by post, you must allow sufficient time for collection and delivery by postal services. The postal acceptance rule does not apply.

POSTAL DELIVERY

Tabcorp Holdings Limited – Sale Facility
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

If you require information on how to complete this form please contact the Shareholder Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia).

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.