

16 February 2017

AUSTRAC proceedings resolved (subject to Court approval)

Tabcorp today announces that it has entered into an agreement with AUSTRAC to resolve the Federal Court Proceedings between the parties.

Terms of Agreement

The parties will seek orders from the Court that Tabcorp pays a penalty of \$45.0 million (plus AUSTRAC's legal costs on an agreed basis). Under the terms of the agreement:

- The parties will approach the Court within seven days to seek an order that Tabcorp pays the above amount;
- Tabcorp will make a number of admissions of non-compliance with its Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) obligations under its old AML/CTF program; and
- AUSTRAC will withdraw the remaining allegations of non-compliance.

Context of Agreement

The agreement has been reached in the following context.

Tabcorp acknowledges that there were a number of deficiencies in its former AML/CTF program, which resulted in a serious contravention of the AML/CTF legislation. It also acknowledges that it did not comply with certain other obligations under the AML/CTF legislation, while that program was in place. These deficiencies were not the result of a deliberate intention to breach the AML/CTF legislation.

Tabcorp has cooperated fully with AUSTRAC in addressing the matters the subject of the Federal Court proceedings and has responded to its concerns.

Over the last three years Tabcorp has made a significant investment to enhance its AML/CTF compliance including:

- A new joint AML/CTF program, which AUSTRAC acknowledges is a material improvement on its former program;
- A substantial investment in capability in recognition of its obligations, including the employment of a Chief Risk Officer, the establishment of a Financial Crime Risk team, and a significant expansion of the AML/CTF team;
- The introduction of automated transaction monitoring capabilities and improvements in AUSTRAC regulatory reporting processes; and
- Comprehensive AML/CTF refresher training of approximately 29,000 people across Tabcorp's staff and its retail outlets.

The investment is scalable and transferrable, including in the context of Tabcorp's proposed combination with Tatts Group. The program will be subject to continuous improvement, in co-operation with AUSTRAC.

Tabcorp Managing Director and CEO, David Attenborough said: "Tabcorp is firmly committed to being the industry leader in regulatory compliance across all of our operations. We are pleased to have reached an agreement with AUSTRAC on this matter and we will continue to work co-operatively with AUSTRAC going forward."

MEDIA RELEASE

Tabcorp

Expected Treatment of Financial Impact

If the Court agrees to make the orders sought, Tabcorp will recognise an expense in respect of the penalty amount in its financial statements for the year ending 30 June 2017. This expense will be treated as a significant item.

The FY17 dividend target remains the greater of 90% of NPAT before significant items and the amortisation of the Victorian Wagering and Betting Licence or 24 cents per share.

For more information:

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