

TABCORP HOLDINGS LIMITED
ABN 66 063 780 709
("The Company")
ANNUAL GENERAL MEETING
29 OCTOBER 2015

CHAIRMAN'S ADDRESS AND
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

CHAIRMAN'S ADDRESS

Introduction

The TAB has been part of Victorian life since it was created in 1961 and Victoria has continued to be central to Tabcorp, since its listing on the ASX in 1994. It therefore, gives me great pleasure, to be in Melbourne for this AGM.

Today, Tabcorp is one of Australia's leading gambling entertainment companies. We are an ASX top 100 company, with three businesses in Wagering and Media, Keno and Gaming Services. We hold long-term licences in Australia's most attractive markets and operate a unique, multi-product, multi-channel business model. We serve millions of customers each year, aiming to deliver entertainment experiences that bring alive the passion, thrills and enjoyment of the Australian way of life.

Since the demerger of our casinos business in 2011, Tabcorp has set about charting a course as a standalone business, leveraging our existing strengths and developing new capabilities.

Since demerger, Tabcorp has delivered robust business performance, as well as strong and growing shareholder returns. We have maintained our market leadership position in an era of competition and disruption. We are Australia's leader in wagering. We have built a substantial new business in Tabcorp Gaming Solutions and we are giving new energy to Keno.

We are also globally recognised as the industry leader in sustainability and responsible gambling. I am pleased to report that the Dow Jones Sustainability Index once again rated Tabcorp the global gambling industry leader in its 2015 results. We have received this ranking 10 times in the last 11 years, demonstrating a long-standing commitment to doing the right thing.

Financial performance

The 2015 financial year was a successful year for Tabcorp – both strategically and financially.

Tabcorp reported net profit after tax of \$334.5 million, up 157% on the prior year. It should be noted that profit was inflated by two significant one-off income tax benefits. Excluding these items, net profit after tax from continuing operations was up 14.7% to \$171.3 million. Revenues for the group were \$2.16 billion, up 5.7%. This reflects strong customer engagement.

In the context of our focus on delivering attractive shareholder returns, the full year dividend was 20 cents per share, fully franked and up 25% on last year on our expanded share capital, following the 1-for-12 entitlement offer in March. A special dividend of 30 cents per share, fully franked, was also paid earlier this year prior to the entitlement offer.

Our performance and confidence in the business has enabled us to increase our target dividend payout ratio for FY16 to 90% of Net Profit After Tax before the amortisation of the Victorian Wagering and Betting Licence.

Substantial returns were also delivered to our racing industry partners, which depend on TAB wagering for most of their revenue. Total returns to the racing industry were more than \$770 million, up 5.2% on the prior year.

Tabcorp also paid almost \$460 million in gambling taxes. This means that for every \$1 Tabcorp made in net profit, a combined \$7.50 was returned to benefit the racing industry and the community via gambling taxes. In addition, our corporate income tax payable in the year was \$85 million, representing an effective tax rate of 33%.

FY15 strategic achievements

As well as delivering a strong financial performance, the company made good progress on its strategic agenda.

Our portfolio has been strengthened following the integration of ACTTAB into our business. We now operate long-dated Wagering, Keno and Trackside licences in the ACT, complementing our existing operations. ACTTAB was rebranded in August, so that we now operate under a single TAB brand across the ACT, New South Wales and Victoria.

The completion of media rights arrangements for NSW and Victorian thoroughbred racing means that TAB's apps and tab.com.au are the only digital channels where customers can watch every single race across every racing code. This is a major competitive advantage and a real point of difference for us.

Our Gaming Services business, TGS, has evolved from being a Victorian-only business to one which is building a presence in NSW. We are pleased to have signed a number of new venues in that market.

And our Keno business has been transformed, with a new brand identity and a more contemporary and appealing customer experience. We also now pool Keno jackpots between NSW and Victoria, with Queensland planned to follow in due course.

Wagering industry regulation

I would now like to turn to some of the broader issues at play in the Australian wagering industry. These issues are not only important to Tabcorp but to the racing and sporting industries, licensed venues and the community more broadly.

The Federal Government announced a review into illegal online wagering last month. The review is timely and submissions are due by the middle of November.

Gambling is essentially licensed by governments for two purposes. Firstly, to ensure it is offered responsibly and is well regulated. Secondly, to enable governments to share in some of the revenue and return it for the community's benefit.

A well-regulated gambling industry is, therefore, in everyone's interests. Gambling laws and regulations must be upheld and must be appropriate for today's environment. However, the growth in online betting, wagering advertising and the propensity of some wagering operators to push the boundaries has created challenges for regulators and the communities in which we operate. In addition, we have unlicensed offshore operators targeting Australian customers.

We believe wagering operators should be licensed in Australia if they are to take bets from Australian residents. This would largely address the problem of unlicensed offshore operators, whose activities pose a threat to racing and sports integrity. Unlicensed offshore operators are

also not held to account in relation to responsible gambling or other consumer protections. Their operation deprives our states and racing industries of income.

There has to be a more equitable structure in relation to the payment of wagering taxes. In FY14 Northern Territory-licensed corporate bookmakers paid around \$6 million in wagering tax on \$8.5 billion in turnover. On the same turnover, Tabcorp would have paid \$170 million back to government. That's 28 times more. The question therefore has to be asked: why is the community getting so little out of the Northern Territory-licensed corporate bookmakers?

The current regulatory framework is a mix of state-based and national laws, which do not work well together, particularly in the online environment. The Interactive Gambling Act, which administers online gambling, is outdated and needs to be modernised. The government recognises this through the current review.

Let me outline three inconsistencies that need to be addressed as a priority.

The first relates to live betting on sport. This product is only permitted in the retail wagering environment or by way of a telephone call. Some wagering operators, however, are offering in-play betting online and through digital apps. This activity has been referred by the federal regulator, ACMA, to the Australian Federal Police for investigation. We understand the AFP will not proceed with an investigation, but this is based on its case prioritisation. ACMA has stated that it remains concerned about what it says is potentially prohibited internet gambling content. The Federal Government's review provides an ideal opportunity to provide certainty and a level playing field for all operators.

Nationally consistent and clear regulations around gambling advertising and inducements are also needed. Last year, there was \$89 million spent on wagering advertising across Australia. That was up 34% on the prior year. Our concern is not only that advertising is regulated differently in every state and territory. We also share the community's view that there is too much gambling advertising.

Finally, we believe there needs to be a single rule across the country in relation to the offering of credit by bookmakers. Northern Territory-licensed corporate bookmakers can offer their clients lines of credit, but TABs cannot. We believe the easiest way to address this is to introduce a single rule preventing wagering operators from acting as lenders and providing credit to customers.

The government review offers an opportunity to redefine the type of online wagering industry we want to have in Australia and to set the standards within which all operators must work. We want this review to bring some clarity and much-needed uniformity and we will be making a formal submission.

Wagering is a large and important industry. It is a big employer. It funds the racing industry and provides a significant source of revenue for government through taxation and licence fees.

Consistent regulation and enforcement can ensure strong protection for Australian consumers and the community.

Legal proceedings

I would now like to provide you with an update in relation to two important legal proceedings underway. Firstly, the proceedings brought in the Federal Court against Tabcorp by AUSTRAC.

Tabcorp has complied fully with the legal process and earlier this month filed its defence in accordance with the court timetable. Many of AUSTRAC's allegations relate to matters

occurring in prior years and Tabcorp has been seeking to resolve those matters with AUSTRAC for some time.

We are committed to achieving the highest standards of regulatory compliance and are well advanced on a program of works that seeks to deliver compliance systems and processes that are best-in-class.

The matter is now subject to legal process and is expected to be heard in September 2016, so it is not appropriate for me to comment in any more detail.

Separately, the High Court will next month hear the company's appeal in relation to our claim for a payment of approximately \$686.8 million from the State of Victoria. This case dates back to Tabcorp's listing in 1994. I expect some of you have been shareholders since that time. We maintain that this payment was due as a consequence of arrangements entered into in 1994 and which relate to the expiry of our Victorian Wagering and Gaming licences and the granting of new licences in 2012. The High Court hearing is the final step in the legal process and once the judgment is delivered this matter will be concluded.

We will keep our shareholders informed as these matters progress through the courts.

With our continued focus on managing regulation, risk and compliance in an increasingly global context, I am pleased to announce that we will be expanding our senior executive leadership team and creating the new role of Chief Risk Officer. This follows best-practice in the financial services sector and we understand is a first for a gambling company in Australia.

Conclusion

Before I finish I would like to acknowledge and thank a number of stakeholders who are critical to our company's ongoing success. Firstly, I would like to extend the Board's appreciation to the 3,000-plus team members at Tabcorp. Their hard work and commitment has enabled us to deliver a successful 2015 financial year.

Tabcorp's businesses deliver enjoyment to millions of customers. We do this in conjunction with our venue, sporting and racing industry partners. Our success is aligned and I would also like to acknowledge the importance we place on our ongoing strong relationships.

Tabcorp concluded the 2015 financial year as a stronger and more sustainable company. We have a portfolio of quality, integrated gambling entertainment businesses that are well placed to deliver profitable growth and attractive shareholder returns well into the future.

In 2016, we have a very clear focus to invest in the customer experience. This means giving customers the most compelling products and services, delivered through the channels of their choice. At the same time, we will target investments in high-growth areas that can set us apart from our competitors. These areas include the integration of our retail, digital and media assets, our brands, which are the strongest in the market, and innovation in products and services.

It is now my pleasure to invite Tabcorp's Managing Director and CEO, David Attenborough, to provide a more detailed operational account of the 2015 financial year and an update on trading in the first quarter of 2016.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you Chairman and good morning ladies and gentlemen.

It's once again a privilege to address you and to reflect on our performance in the 2015 financial year.

With only five days until the Melbourne Cup, this is a very special time of the year in Victoria, and in Australia more broadly.

We are putting a lot of effort into delivering a successful Melbourne Cup week and showcasing ourselves as one of the world's premier wagering businesses.

2015 was a good year for Tabcorp. Our financial performance reflected the success of our multi-channel strategy and the benefits of our ongoing focus on products, brands and customers.

Statutory net profit after tax was \$334.5 million, reflecting strong operational performance and non-recurring income tax benefits. Excluding these significant items, NPAT from continuing operations was up 14.7%.

Growth in group revenues of 5.7% shows that we have been getting it right in the way we have been engaging customers and bringing new products to market.

Operating expenses were up 5.8%. However, excluding costs relating to the ACTTAB acquisition, the increase on last year was 2.6%. The way we think about our expenses is to manage them within the framework of a 20 to 21% opex to revenue ratio. If not for the ACTTAB one-offs, we would have been at 21% for the group in FY15.

Pleasingly, the group's positive performance enabled us to deliver on our objective of increasing returns to shareholders through an increased final dividend, as well as the special dividend that the Chairman mentioned earlier.

Let me now take you through a more detailed review of each of our three businesses, commencing with Wagering and Media.

Wagering and Media

A strong Wagering and Media contribution underpinned the group result. We performed very well in what is a highly competitive market. Customers are responding positively to our wagering offer and our results demonstrate the value of our integrated retail, digital and media assets.

Revenue growth was 6.9%, while EBITDA was up 7.2%.

Total racing revenue growth was 5.1%, while sports revenue was up 16.2%. However, racing continues to drive the bulk of our wagering turnover, with fixed odds products underpinning racing's growth.

Media revenue continued to grow, driven by increased international vision and co-mingling arrangements, such as those in place with Hong Kong, Singapore and South Africa.

We have also put in place new media rights arrangements for NSW and Victorian thoroughbred racing, providing certainty for the future.

We continued to execute well in the digital environment, with turnover up 17.8%. A smooth transition to our new tab.com.au website was one of the highlights. We will continue to invest in our digital channels.

Turnover in the retail channel was relatively flat, although it remains by far our most popular distribution channel, with more than \$6.6 billion in retail wagering turnover for the year. This shows how consumers value the social interaction that the physical TAB environment brings.

We have commenced piloting our Future Retail program. This program brings together our powerful retail assets, with the continuing consumer shift to digital.

Key indicators of customer engagement were positive, with our total TAB active customer base up 12% and more than 300,000 members in our TAB Rewards loyalty program.

Gaming Services

Let me now take you through the results for our gaming services business, TGS. Revenues grew by 1.5% and EBITDA was up 0.9%.

During the year we focused on expanding into new markets and positioning TGS to deliver long term, sustainable performance.

As a result, TGS has progressed from being a Victorian-only business to one which is building a presence in New South Wales. We now have eight New South Wales venues in our portfolio, with around 700 machines under contract. This complements the 8700 machines we have in Victoria.

Our first New South Wales venues have been performing very well and that's resulted in a growing number of interested venues in the pipeline.

Importantly, we also extended a number of venue contracts and this means we now have 84% of the Victorian base contracted to 2022. This is a vote of confidence in the TGS business model and the value of the offering to our venue partners.

Keno

In Keno we saw improved customer activity in New South Wales and Victoria, with the Queensland market more subdued. Overall, turnover was up 2.7%.

The revenue performance varied across the states with the abnormal run of jackpots during the year impacting performances in Victoria and Queensland.

EBITDA was down 8.0% on the back of increased expenditure levels, which reflected the stepping up of investment in our brand, product and digital capability.

The relaunch of the brand and customer experience has been about broadening Keno's appeal and making it more contemporary. Pleasingly, we are seeing signs that the transformation is gaining traction with customers.

Capital position

Turning now to the capital position of the group.

Tabcorp continues to have a well-diversified debt structure.

During the year we refinanced a \$400 million facility, extending the maturity profile of our debt facilities. The next refinancing activity is not due until 2017.

At year-end, our Gross Debt to EBITDA ratio stood at 2.1 times, an improvement from 2.3 times at December 2014.

Our balance sheet is strong and that's allowed us to increase the target dividend payout ratio in FY16.

Community

At Tabcorp we seek to positively connect with the community and foster a community-minded culture. Our successful Tabcare program continued in 2015, in partnership with Conservation Volunteers, FareShare, OzHarvest and The Pyjama Foundation. We also matched many employee-driven fundraising initiatives, supporting a number of charities.

In July this year TAB and Sky Racing announced a three-year partnership with the National Jockeys Trust to which we will donate \$120,000. The trust supports jockeys and their families when faced with serious injury, illness or fatality and we are pleased to support them.

People, Diversity and Sustainability

Tabcorp is committed to building a great place to work for our 3,000-plus people and I would like to acknowledge each and every team member for the role they played in making this a successful year.

Tabcorp recognises the value of a diverse workplace and I am pleased to report that in 2015 we met our target of at least 33% female representation in senior management roles. We have re-set this target to 40% by 2018.

The engagement levels of employees are key to an organisation's success. We measure employee engagement using the Gallup assessment tool and our FY15 results once again showed further improvement.

I am also pleased to report that we continue to have a strong health and safety culture, demonstrated in FY15 by a low rate of one lost time injury per million hours worked.

While Tabcorp has a low environmental footprint, we also continued to reduce our greenhouse gas emissions, as well as the use of electricity, water and paper.

Compliance

With regards to compliance matters, as the Chairman mentioned earlier, we have filed our defence against the allegations brought by AUSTRAC and the case is expected to be heard next September.

Regulatory compliance is absolutely core to us at Tabcorp and we are focused on ensuring we manage and maintain the highest standards of compliance across all of our businesses.

Revenue update – 1Q16

I would now like to provide you with an update on trading in the first quarter of the 2016 financial year. Total group revenues in the three months to 30 September 2015 were \$543.5 million, up 1.1%.

Total Wagering turnover was \$3.1 billion, up 3.2% on the prior corresponding period which included the 2014 Soccer World Cup. Wagering and Media revenue growth of 0.7% was also impacted by a strong sports yield performance in the prior corresponding period, coupled with lower media subscription revenues as a result of savings passed on to venues in respect of Victorian thoroughbred racing vision.

Gaming Services revenues were \$26.4 million, up 5.2%. TGS recently signed another NSW venue, taking the total number of gaming machines under contract at the end of the quarter to more than 9,400.

And, finally, Keno revenues were \$55.8 million, up 2.8%.

Priorities

We have a clear set of priorities in FY16 to move us forward.

In Wagering and Media these include the Future Retail roll-out and further product innovation. We remain alive to opportunities that can leverage the powerful assets that we have built up over years – our industry relationships, our capability, our technology, our reputation and the liquidity of our betting pools.

In Gaming Services, we remain focussed on improving the performance of our existing partners, while also progressing our expansion plans, particularly in NSW.

And for Keno, the priority is to advance the brand and product transformation, link Queensland into jackpot pooling and implement the digital strategy.

We are addressing the matters raised by AUSTRAC as a priority. We are committed to achieving the highest standards of compliance across the business.

Finally, I would like to conclude by saying that we are well positioned to continue to drive future performance, maintain expense discipline and deliver on our target of 14% Return on Invested Capital by FY17.

Thank you. I will now hand you back to our Chairman.

These addresses will be webcast live on Tabcorp's website at www.tabcorp.com.au from 10.00am (AEDT – Melbourne time) and will be archived on the website for viewing later today.