

TABCORP HOLDINGS LIMITED
ABN 66 063 780 709
2003 ANNUAL GENERAL MEETING

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

30 October 2003

CHAIRMAN'S ADDRESS

I would like to start my address by repeating the opening words of this year's annual report, in which I noted:

"the past year represents a period of significant change for TABCORP".

One of the most significant changes was the appointment of Matthew Slatter as Chief Executive Officer. Matthew took up his position in early October last year just as the company was feeling the full impact of the smoking ban introduced in gaming venues in Victoria which came into operation on 1 September 2002. He has settled in particularly well. In addition to familiarising himself with a new company and its people and dealing with a variety of regulatory issues, he has initiated and orchestrated the merger with Jupiters. He has had a very demanding first 12 months.

The company's vision

As you will have seen from the theme of this year's annual report, Matthew has continued the focus for TABCORP to be Australia's premier gambling and entertainment group. By this, I mean:

- providing superior returns to shareholders;
- being a great place to work;
- being recognised by our customers as offering the best gambling and entertainment experience; and
- being respected as a responsible and valued member of the communities in which we operate.

Jupiters

The company's decision to merge with Jupiters will have a profound impact on our future development and prosperity.

The merger will pave the way to create a top 30 publicly listed company with considerable financial strength and business diversity. TABCORP will be the fifth largest gambling company in the world, operating four major casino and hotel complexes: here at Star City, Conrad Jupiters on the gold coast, Conrad Treasury in Brisbane and Jupiters in Townsville,

As well as Keno, wagering and gaming operations across the east coast of Australia.

The merger will give the company greater business and geographic diversity. TABCORP will also benefit from considerable synergies associated with owning four major casino properties.

Jupiters shareholders approved the merger last week and we are confident that the final regulatory approvals will be received in the next 24 hours so that the merger can be finalised by the middle of next month.

The Chief Executive of Star City, Mr David Banks, will head up the company's newly created casino division to be responsible for the four casino properties and the Managing Director will have more to say about this in his presentation.

Changes to existing businesses

We have undertaken the refurbishment of a number of areas at Star City. Approximately 300 rooms have now been refurbished as well as restaurants and bars on the main gaming floor. I invite you to look at the hotel reception area which has been improved significantly. We have removed some of the more colourful theming and created a more corporate environment which is better suited to the hotel's five star status.

The company is also working closely with its gaming venue partners in Victoria to refurbish gaming areas and ensure that each venue continues to provide a popular entertainment option. This includes installing new games and promoting great customer service.

On the wagering front, we are well prepared for what is likely to be another successful Victorian spring racing carnival. There will be more on course betting facilities than ever before and the level of public interest seems to increase each year. Last year, a staggering 5.5 million bets were sold for Melbourne Cup day alone with turnover in excess of \$59 million.

Public affairs

TABCORP has strengthened its media / government relations unit. We will need to ensure that public debate on gambling is put in perspective and that the significant benefits that our industry provides are recognised. The company will work closely with the government in each jurisdiction in which it operates to ensure that gambling is provided in a responsible manner and continues to be a great entertainment option. In addition to restructuring its Public Affairs area, the company has appointed a senior Responsible Gambling Manager to review the company's response to the issue of problem gambling and ensure that "best practice" is embraced by all our businesses.

Specific shareholder matters

On a different subject, I am pleased to report that the company will be introducing a shareholder discount plan which will give eligible shareholders certain discounts here at Star City and, at Jupiters' casino and hotel properties.

This will give you an opportunity to experience, first hand, what is being created. Further information about the shareholder discount scheme will be sent out with the interim dividend in March next year.

Another initiative that will be of interest to many shareholders here today is the proposed dividend reinvestment plan. The Board was specifically asked to introduce such a plan at last year's Annual General Meeting. This will be the subject of a resolution later this morning but I note that it will give shareholders the option of reinvesting dividends to purchase additional shares in the company at a discount of up to 2.5%, with no brokerage or stamp duty.

The number of announcements to shareholders continues to increase as we fulfil our commitment to keep you informed of what the company is doing. To make it easier and more cost efficient to deliver on this promise, the company's Shareholder Relations Manager is undertaking a review of the company's website and the ways in which we communicate to shareholders.

Conclusion

In summary, I believe that in the year under review, TABCORP achieved a solid result in a difficult trading environment. The company achieved an increase in underlying profits which enabled it to increase its full year dividend by four cents per share. This brought the total dividend declared for the year to 67 cents per share and consolidated our position as one of the highest yielding shares on the Australian Stock Exchange.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Introduction

2003 was both challenging and exciting. When I spoke to you last year, the Victorian government had just introduced bans on smoking in gaming rooms, a factor which had a significant negative impact on revenue from our gaming division. Yet the company was able to deliver an increase in underlying profit, with good results from our Star City and wagering businesses complimented by our disciplined approach to expense control and sound financial management.

At the same time, we announced our intention to merge with Jupiters Limited which will provide the combined group with future growth opportunities through synergies and greater critical mass. It will also increase the spread of our activities across gambling, leisure and entertainment businesses in different states and regulatory jurisdictions. This will reduce our reliance on any one market or business. More about Jupiters shortly.

These achievements, in conjunction with the organisational restructure that was undertaken in 2003, position TABCORP favourably for the future. As I said, it has not been an easy year, but the commitment of TABCORP employees across all divisions has enabled us to achieve a good result and to look forward to an exciting future.

Today I would like to cover the year's highlights, the performance of each of our divisions, our strategies going forward including the Jupiters merger, and a review of our performance so far this year.

Key Features

I have already touched on several of these highlights.

We were able to increase dividends to 67 cents per share, fully franked, as a result of the company's increase in underlying profit and taking into account our sound financial position. I was pleased that Standard and Poors reaffirmed TABCORP's investment grade rating after we announced our proposed merger with Jupiters. This is a recognition of the strengths of our core businesses. We also purchased the outstanding 15% of the Star City management contract for \$53 million, giving us 100% control of Star and providing potential for additional synergies when we merge with Jupiters.

TABCORP Group Profile

This slide shows various measures of TABCORP's performance over the past five years, after excluding non-recurring items, both positive and negative in their impact. I believe it gives the fairest measure for comparison.

Net profit after tax was up by 1.5% to \$263.1 million, with compound annual profit growth of 16.4% over the last five years.

Earnings per share increased by 2.8% to 76.4 cents after amortisation of goodwill principally relating to the purchase of Star City in October 1999.

Our return on shareholders funds has continued to grow, partly boosted by the share buybacks of the past couple of years. Last year, we achieved a 20.9% per annum return on investment.

Gaming

As I've mentioned, the gaming division result was adversely impacted by the smoking bans introduced to Victorian gaming rooms from 1 September last year. Revenue was 7.6% below 2002 and profits were 9.9% down as we were unable to reduce costs at the same rate as the fall in revenue.

But in conjunction with our venue partners, we acted quickly to find out what we could do to improve the amenity for our customers who smoke. I'll detail these actions shortly.

Nevertheless our compound annual growth over the past five years has still averaged more than 4% for each of revenue and profit.

Gaming – Monthly Revenue

This graph highlights how strongly our business was growing at the start of FY2003 and the drop that occurred following the bans in September. July 2003 was up 11.4% and August up 17.1% respectively on the previous year.

The blue line shows our 2003 revenue falling to just below 2001 revenues which are in green. We effectively lost two years growth.

It also shows the seasonality of our business has not changed, with each of the past three years tracking similar patterns. I will discuss our revenue growth in the current year later in my presentation.

Wagering

For a business sometimes regarded as mature, our wagering business has shown good revenue growth and even better profit growth. Last year wagering revenues grew by 4.5% to \$421 million with each of the racing codes showing good growth. Excluding the impact of World Cup soccer on our 2002 result, our Sportsbetting business achieved a 32% increase in revenue and our Trackside animated racing game grew both at home and overseas.

Continued cost control and the benefits our investment in technology, self service distribution and constantly improving the amenity of our retail outlets has resulted in improved profit margins. In 2003, profit before interest, taxation and amortisation grew by 11.9% to \$68.4 million – delivering 9.7% compound annual profit growth since 1999.

Star City

Star City was acquired by TABCORP in FY 2000 with the 2000 year in the charts reflecting the 8.5 months that TABCORP owned the business. It's first full year contribution to profit was \$112 million in FY2001 and its profitability has increased by 27.3% compound annually since then. In 2003, profit grew by 12.1% while revenue increased by 3.2%. This was a good result, especially considering the negative impact on tourism to Australia of the SARS virus and the war in Iraq.

We have continued to progressively improve the property as well as tailoring our games and food and beverage offer to suit our customers. We have also worked hard to provide the best

entertainment, including shows such as Mamma Mia, which have attracted new customers to our property and assisted the performance of our restaurants, bars and accommodation.

Star City - Main Gaming Floor Highlights

On the main gaming floor we have refined our product mix to meet customer expectations. After a disappointing first quarter with revenues down by 4.6% on the previous corresponding period, we progressively introduced a new roulette area with more tables, altered the mix between black jack and pontoon, introduced more high limit baccarat tables, and introduced rapid roulette.

Revenue growth has reflected the positive impact of these changes with fourth quarter revenue up by 14.9%. We don't expect this rate of growth to continue, but it does show that by refining the product to meet customer needs, the customers will respond accordingly.

Rapid Roulette

Rapid Roulette is an interactive electronic form of roulette where the player bets on their own electronic touch pad terminal. There are 24 betting terminals located around a central, single, standard roulette wheel that is spun manually by a dealer. The product appeals to a wide variety of players, including novice players as it offers them the opportunity to learn the game at their own pace and for a lower bet value. The minimum bet is \$2.00.

Star City was the first casino to install a single 24 station pit, and following the high demand which the product has experienced, we will install a second 24 station terminal in early December. If you get a chance, please have a look at rapid roulette on the MGF on your way out today.

I would now like to look to our future.

Key Business Strategies

Our strategy is twofold. We must continue to drive growth in our existing businesses as well as exploring opportunities for future growth through mergers or acquisitions, such as Jupiters.

We will grow our businesses through focusing on

- Continually improving our customer service and the quality of our products
- Investing in our people, products and processes,
- Achieving excellence in delivery, and
- Providing speed in execution and innovation

We will only consider merger or acquisition opportunities that are within our core competencies of gambling, hospitality and entertainment, and that enhance shareholder value through delivery of returns in excess of our cost of capital.

By combining these objectives we will continue to ensure that TABCORP is "Australia's premier gambling and entertainment group."

First I will discuss some of our organic growth strategies across our three businesses.

Key Organic Growth Strategies

Wagering

We will drive growth from our wagering business through continued expansion of customer usage of lower cost distribution channels and enhance revenue through working with the racing industry, introducing new products and improving outlet amenity.

We are in the process of rolling out 350 additional Easy-bet terminals across the network into pubTABs and onto racetracks. These provide easy and efficient access to our products for customers and reduce the operating costs of the network through reductions in required staffing levels.

We will also be rolling out a new retail wagering terminal over the course of this year and next year, providing functionality and ease of use.

We continue to introduce new products and improve outlet amenity. 47% of the retail network has now been refurbished with 16 refurbishments planned in the current year.

We will also focus on enhancing our internet site, a growing distribution channel for us.

Wagering - Distribution

The internet provides customers with a self service option which is also lower cost for us to deliver. The chart at the top shows our account sales broken down by the number of transactions. The number of transaction is important as the cost to service a \$1 bet versus a \$50 bet is the same if the same transaction method is used.

As you can see, transactions by operator have fallen from around 89% to 54%, while the other chart illustrates that the \$ turnover from operators has remained the same, with growth coming from our self service distribution channels.

Touch tone continues to gain acceptance with around 22% of account sales transactions, voice recognition has expanded to around 9% and internet has grown to in excess of 10%.

Gaming

For the Gaming Division our focus is on improving venue amenity and customer service supported by the venue performance program. As well as 20 major venue refurbishments, our gaming machine product will be continually refined to reflect customer preferences.

As part of our response to the smoking bans, reservations systems and customer service have been introduced to the judging criteria for the venue performance program this year.

Gaming – Venue Amenity

During the year, we worked closely with our venues to provide an optimum solution for all our customers, including customers who smoke.

There a number of critical success factors in ensuring that customers who smoke are looked after. These include the amenity of the smokers lounge and as you can see, by the end of June, 169 venues representing 62% of the Tabaret network had the highest level of amenity. This compares to only 30 "grade 4" venues when the bans on smoking were introduced on 1 September 2002.

Equally important is an effective machine reservation system whereby customers can leave their machine for a period of time. At 30 June, 178 venues had reservations systems in operation.

The third critical factor is customer service, a key to the success of any business. During the year, TABCORP and our venues have worked together to provide additional customer service training, including components on improving responsiveness for customers who smoke. Customer service is again a focus for the current year.

Star City

For Star City our focus is on optimising the gaming product, improving amenity, increasing customer utilisation and leveraging cross-sale opportunities across the total property. For example, we allocated \$3.5 million to refurbishing our hotel rooms, and I am delighted that much of the work was completed prior to the commencement of the Rugby World Cup which has given us another chance to showcase Star City to both local and international guests. There's undoubtedly a real buzz and sense of excitement around the property which I'm sure you've noticed.

We've joined forces with one of the major sponsors, Heineken to provide an indoor stadium concept, complete with corporate boxes in the Showroom Theatre. The hotel occupancy has been very pleasing this year and we are forecasting it will lift to around 96 per cent for the final 10 days of the Cup.

Another key focus is the VIP segment of our market. One example is the recent introduction of our private slots lounge.

Star City – Private Slots Lounge

The opening of the private slots lounge in June has been received well. It features 158 electronic gaming (or slot) machines that are changed to reflect the preferences of our VIP customers. The quite luxurious lounge, features complimentary food and drinks and has a dedicated executive host team. More than two thirds of eligible VIPs have used the lounge by the end of June and we expect this proportion will grow in the current year as we strive to improve the offering to our best customers.

Jupiters Group Profile

As well as driving growth from our existing businesses, this year we will also expand following the merger with Jupiters.

Jupiters has three casinos in Queensland. These include the Jupiters Gold Coast casino, located only around 200 metres from the famous beaches of the Gold Coast. It has 1,348 electronic gaming machines, 103 tables, and 603 hotel rooms.

The Brisbane "Treasury" property is located in the historic former Treasury building in the centre of Brisbane. It includes 1,329 gaming machines, 86 tables and 130 rooms.

Jupiters' casino in Townsville, looking over the bay and the marina, has 294 gaming machines, 16 tables and 194 hotel rooms. As you would expect, these properties also have some great bars, restaurants and banquet facilities and pride themselves on excellent customer service.

Jupiters manages the Townsville Casino, while the other two properties are currently managed by BI Gaming, which is owned by US gaming company, Park Place, soon to be renamed Caesars Entertainment.

Jupiters conducts Keno operations in Queensland and New South Wales, has gaming machine monitoring operations in Queensland and owns the AWA IT support operations which operate in Australia and overseas.

The pie chart shows the contribution by revenue of each of the Jupiters businesses – the Gold Coast and Brisbane properties together account for 75% of revenues.

At 27 October, Jupiters was trading at \$6.49 per share with a market capitalisation of \$1.3 billion and an enterprise value of \$1.67 billion.

TABCORP is not buying Jupiter's "Centebet" wagering business and is paying a combination of cash and shares for the balance of its operations.

Jupiters Merger

We expect the implementation date for the Jupiters merger will be 13 November. Jupiters shareholders met on 24 October and approved the merger scheme and we expect to receive Queensland government approval shortly.

We have entered into discussions with Park Place, the owners of the management contract for the Jupiters casinos on the Gold Coast and Brisbane to investigate ways in which we can work closely with them to achieve operational synergies between our Star City casino, Jupiters Townsville casino and the Brisbane and Gold Coast properties.

Integration planning is well advanced, involving a team from TABCORP, Jupiters and our consultants, and we expect the integration process to be substantially completed by September 2004.

Part of the funding for the purchase will be achieved through the operation of the TABCORP dividend reinvestment program from March 2004. This program is an attractive vehicle for shareholders to increase their holdings in TABCORP and the next four dividends have been underwritten to 65%. The DRP will be discussed later in the meeting.

In summary, the merger provides a number of exciting opportunities to leverage off the combined capabilities of TABCORP and Jupiters, particularly in the casinos area and also in other product areas such as Keno.

TABCORP Jupiters Group Profile

This gives you an idea of what the combined group will look like. We will operate four casinos serving 36,800 customers per day playing at 421 tables and on 4,400 electronic gaming machines. We will also operate 13,750 gaming machines across 271 venues in Victoria, 2,000 Keno outlets, and 566 wagering outlets.

Our non-gambling operations will include 1,417 hotel rooms, 22 restaurants and 3 theatres/showrooms.

Our revenue will be from a broader geographic base with Victoria reduced to 48% of revenue from around 68%. This will reduce our reliance on any one regulatory jurisdiction.

TABCORP will manage around 19% of the Australian gambling market and be rated as one of the top five gambling companies in the world, based on enterprise value.

Key Company issues - FY 2004

As well as managing our businesses and successfully completing the Jupiters integration, there are several key issues which we will be addressing in the current year.

TABCORP is committed to the responsible delivery of its products. To this end, we will implement improvements in our Responsible Gambling Code.

In 2003, KPMG were appointed by TABCORP to conduct an independent review of compliance with the TABCORP Responsible Gambling Code, the first review since its launch in 2001.

The review took place during June and July 2003 and involved wagering, gaming and casino operations, as well as TABCORP's internal compliance processes.

The preliminary findings are encouraging indicating high levels of awareness and compliance with the Code at TABCORP. KPMG's recommendations are forthcoming and will be linked with a review of the key components of the Code to ensure we deliver best practice.

As part of our commitment to the responsible delivery of our products, we have created the new role of Responsible Gambling Manager and appointed one of our senior executives to the position.

We will also be seeking a successful outcome for the relicensing of our Victorian gaming and wagering businesses. These licences expire in 2012.

The Victorian Government has indicated that it wishes to resolve relicensing arrangements within its current term, which means prior to November 2006.

The Minister for Gaming and Racing has stated that the Government will review all options available to it in considering the issue of new licences.

TABCORP has not yet entered into negotiations with the Victorian Government regarding the terms on which its Victorian Gaming and Wagering businesses could be relicensed, however we are committed to working with the Victorian Government to seek an outcome that is in the interests of all stakeholders.

I will now turn to our performance in the current year.

First Quarter Performance

Year to date revenue is down by 3.3% on the previous corresponding period. In the context of the smoking bans, this is a solid result.

Wagering revenue has grown by 5.2% with good performances across the division.

Racing growth has been driven by very strong growth from greyhounds in response to improvements to form guides and better marketing, double digit growth in harness racing in response to additional meetings plus a shift from Saturday night to Thursday night racing at Moonee Valley, and solid underlying growth from thoroughbreds.

Gaming revenue was down 12.1% following very strong July (+11.4%) and August (+17.1%) periods last year. This was exacerbated by the impact of the ban on smoking in gaming rooms. I will discuss the gaming figures in more detail shortly.

Star City revenue was up by 5.1% with a continuation of good performances by tables on the main gaming floor (+6.8%), and outstanding results from non-gaming operations (+15.8%).

Gaming Revenue - 2004 YTD

July gaming revenue was down by 14.4% and August by 19.4% reflecting very strong performances in the previous corresponding period prior to the introduction of smoking bans which was illustrated on the earlier slides comparing the last 3 years revenue.

For the first time since the bans were introduced, September showed an increase of 0.2% with further improvement in the period from 1 October to 25 October of 4.7%. This does include an extra Saturday. However, we are seeing an emerging recovery in this business.

Conclusion

FY2003 was a challenging year, however we managed to achieve 1.5% growth in underlying profit.

Each of our businesses holds a strong position in its respective market and is well positioned for continued growth in profitability.

We remain ready to engage in discussions on relicensing our Victorian businesses.

The Jupiters' merger is an exciting step for the group and during the next 12 months integration will be a major focus together with ensuring we maintain the momentum of growth in our existing businesses. We will continue to review and monitor other inorganic growth opportunities provided they are within the gambling, leisure and entertainment industry and meet our strict financial return criteria.

Our aspiration for TABCORP is still to be Australia's premier gambling and entertainment group.

I would like to thank you for your attendance today at our first Sydney AGM and I will now hand you back to our chairman.

Mr Robinson's and Mr Slatter's speeches were webcast live on TABCORP Holdings Limited's website at www.tabcorp.com.au and will be archived on the website for viewing later today.

ENDS