

TABCORP and NSW Racing Reach Agreement

Monday, 23 February 2004

TABCORP Managing Director and Chief Executive Officer, Mr Matthew Slatter, and NSW Racing Chairman, Mr Tony Hartnell, jointly announced that:

- TABCORP and NSW Racing have today entered into a binding, conditional, Heads of Agreement which provides a detailed platform for a formal and definitive agreement which addresses NSW Racing's reasonable concerns, should TABCORP make a takeover bid for Tab Limited and that bid is successful. Upon implementation, the arrangements will place the NSW racing industry in a no less favourable position than it currently is in.
- The agreement, once implemented, will set a strong platform for an excellent long-term relationship between the NSW racing industry and TABCORP, via Tab Limited.

"We are delighted to have reached agreement with TABCORP," Mr Hartnell said.

"This proposal addresses the racing industry's concerns and will ensure its long-term viability and strength in the case of a TABCORP acquisition of Tab. The final outcome is pleasing for both parties."

Mr Slatter commented, "this is a very exciting day for Australian racing, and in the event of a TABCORP acquisition of Tab, economic benefits would flow across racing codes and all stakeholders would benefit from a more vibrant and flourishing industry".

For a summary of the key terms of the agreement reached, please see the annexure to this release.



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Media Release

Annexure Key Terms of Heads of Agreement

The following is a summary of the key terms of the legally binding Heads of Agreement dated 23 February 2004 between TABCORP Holdings Limited ("TABCORP") and NSW Racing Pty Ltd (as agent for the NSW Thoroughbred Racing Board, Greyhound Racing New South Wales and Harness Racing New South Wales) ("NSW Racing").

Arrangements with NSW Racing

NSW Racing and TABCORP have agreed to the following key commercial terms, and have agreed to negotiate a formal, detailed agreement which would give effect to those terms if TABCORP acquires control of Tab Limited ("Tab").

The following arrangements are to apply in addition to those applicable under the Racing Distribution Agreement ("RDA") currently in place between NSW Racing and Tab.

Payments to NSW Racing

TABCORP has agreed to procure that Tab will increase the product fee payable by Tab to NSW Racing.

Financial year	Net increase in fees to NSW Racing
2004/2005	\$3 million
2005/2006	\$6 million
2006/2007	\$9 million
2007/2008	\$12 million
Subsequent financial years	\$12 million, indexed to CPI at 30 June 2008

Sale of gaming businesses

NSW Racing will consent to, and cooperate in, the disposal or cessation of Tab's gaming activities as required by the New South Wales government. NSW Racing will receive 25% of the net profit on the sale of Tab's gaming businesses (measured against the book value of the businesses as at 31 December 2003), less rebates owed by NSW Racing to Tab in respect of those businesses. Only rebates up to a value of \$5 million will be taken into account.

Once Tab's gaming businesses are sold, NSW Racing will have no further interest in those businesses.

Synergies

The parties have agreed that cost allocation principles set out in the RDA, uplifted to the TABCORP level, are to apply, which aim to ensure that the New South Wales racing industry, the Victorian racing industry and TABCORP and Tab shareholders benefit fairly and equitably from any cost synergies realised if the TABCORP group acquires Tab.

Pooling

As provided for under the RDA, Tab will only be able to pool its New South Wales totalizator pools with other jurisdictions' totalizator pools with the consent of NSW Racing. That consent may not be unreasonably withheld.

TABCORP has agreed, however, that any totalizator pooling arrangements will be such that no pooling fees will be charged between the current TABCORP group (ie excluding Tab) and Tab in relation to the joining of the New South Wales totalizator pools, which are managed by Tab, with the SuperTAB totalizator pools, which are managed by the current TABCORP group.

Fixed odds wagering

Any fixed odds wagering on racing by Tab will be subject to NSW Racing's approval and, to the extent not conducted during 2003 by Tab, will be subject to a product fee as agreed between Tab and NSW Racing.

Guarantee

TABCORP will provide a financial and performance guarantee in respect of Tab's obligations under the RDA.

Management structure

Tab will continue to manage Tab's businesses, but, through changes to a consultative committee comprising representatives of Tab and NSW Racing, NSW Racing will have a greater capacity to be consulted and to provide recommendations in relation to New South Wales wagering and (until Tab's gaming businesses are sold) gaming.

Sky Channel

New South Wales racing clubs will be given the option of maintaining, until 30 June 2006, the contractual arrangements relating to Sky Channel which were in place as at 30 June 2003. Alternatively, those clubs will have the option to continue with any other arrangements agreed before TABCORP acquires control of Tab. For clubs other than New South Wales metropolitan thoroughbred racing clubs, any rights of first or last refusal or options to renew or extend in favour of Tab or Sky Channel will be disregarded.

TABCORP will be required to procure that Sky Channel Pty Ltd negotiates in good faith with the New South Wales racing clubs in relation to broadcast rights for Sky Channel from 30 June 2006 onwards. The future TABCORP group (including Tab and Sky Channel) will not object to those clubs negotiating collectively if they wish to do so.

TABCORP has also given NSW Racing a number of assurances that Sky Channel Pty Ltd will not give undue preference to the Victorian racing industry to the detriment of the New South Wales racing industry.

There will be annual meetings of a consultative committee comprising representatives of state racing industries to discuss the Sky Channel coverage program.

Exclusivity and right of last refusal

Until 23 May 2004, TABCORP has the exclusive right to negotiate arrangements, to give effect to the matters outlined above, with NSW Racing in connection with the requirements of proposed section 43A of the *Totalizator Act 1997* (NSW) (and any arrangements required to be entered into before the proclamation of the *Totalizator Legislation Amendment Act 2003* (NSW)) (the "NSW government requirements").

In addition, the following arrangements apply with effect immediately and will extend beyond 23 May 2004.

NSW Racing will not enter into exclusivity arrangements with any other person in relation to the NSW government requirements.

TABCORP will have a "right of last refusal" such that, if NSW Racing enters into a legally binding arrangement (an "Alternative Arrangement") with another bidder (or related body corporate of another bidder) for the shares in Tab for the purpose of the NSW government requirements and TABCORP makes an offer on more favourable terms, NSW Racing must accept that offer.

Termination rights

TABCORP may terminate the Heads of Agreement if:

- NSW Racing enters into a legally binding arrangement (including a heads of agreement) with another bidder for the shares in Tab for the purpose of the NSW government requirements; or
- the NSW government makes a public statement or gives written notice to TABCORP to the effect that the NSW government requirements will no longer apply or that the NSW government is prepared to nominate another bidder for the shares in Tab as the "nominated company" notwithstanding that the bidder (or one of its related bodies corporate) has not entered into arrangements with NSW Racing or has entered into arrangements with NSW Racing which are less favourable to NSW Racing than those contemplated by the Heads of Agreement.

The "right of last refusal" will survive termination by TABCORP pursuant to the above rights.

NSW Racing may terminate the Heads of Agreement if:

TABCORP (or one of its wholly owned subsidiaries) does not announce a takeover bid for the shares in Tab within 7 days of the execution of the Heads of Agreement;

- having announced a bid, TABCORP (or one of its wholly owned subsidiaries) withdraws its takeover bid for the shares in Tab;
- having announced a bid, TABCORP announces that a condition of the bid cannot be fulfilled and will not be waived;
- TABCORP does not acquire control of Tab within 6 months after execution of the Heads of Agreement; or
- TABCORP does not exercise its right of last refusal to better an Alternative Arrangement in circumstances where the Alternative Arrangement is more favourable to NSW Racing than that contemplated by the Heads of Agreement.

Each party also has the right to terminate the Heads of Agreement in the event of a material breach of it.