

**TABCORP HOLDINGS LIMITED  
ABN 66 063 780 709  
("The Company")  
ANNUAL GENERAL MEETING  
28 OCTOBER 2014**

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

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**CHAIRMAN'S ADDRESS**

Good morning ladies and gentlemen.

2014 is a milestone year for Tabcorp on two fronts. Tabcorp celebrates its 20<sup>th</sup> anniversary, and this year is also the 50<sup>th</sup> anniversary of the NSW TAB. It's timely to reflect on our journey, as a business that is today one of Australia's most successful gambling entertainment companies, and as the TAB brand that is so much part of the fabric of Australian society.

You can see on the screen behind me an image of the NSW TAB, which was created by the NSW Government in 1964. The customer offer on day one was modest in today's terms. The NSW TAB commenced by betting on just two race meetings – at Canterbury and Menangle – and operated just six retail outlets. But as the image on the slide shows, punters were quick to develop an affinity with the TAB.

Today, the NSW TAB, like our TAB brands in Victoria and the ACT, stands proud as a world class operation. It processes more than 400 million bets a year, co-mingles its pools with Singapore, and offers betting on racing from 14 countries. It has a presence in 2,100 hotels, clubs and agencies in NSW, with customers also transacting through a market-leading digital offer, via phone and at racetracks from Armidale to Young.

While many things have changed since 1964, what hasn't changed is that TAB is part of our social fabric, particularly on days like Melbourne Cup day next Tuesday, where more than \$90 million will be wagered with us in NSW. The TAB is a trusted and iconic institution. And, importantly, it has underpinned the economic sustainability of the racing industry, generating more than \$3 billion for NSW racing since privatisation in 1999.

Let's now take a look at a short video, celebrating the 50 years of the NSW TAB.

Since listing in 1994, Tabcorp has created entertainment experiences for millions of customers and has been at the heart of the country's biggest racing and sporting events.

Our commitment to being a responsible and trusted gambling company has underpinned our commercial success and delivered substantial returns to our stakeholders. In fact, since 1994, Tabcorp has returned close to \$5 billion in dividends to shareholders. Tabcorp has also paid more than \$16 billion in gambling taxes, \$2.5 billion in corporate taxes and contributed \$9 billion in total racing industry funding.

We are extremely proud of the business we have built and we are now ready and looking forward to an exciting future for Tabcorp. Our company has emerged from a period of significant transformation over the past few years as a unique multi-channel, multi-product gambling entertainment business with market-leading brands.

Our company's mission, as set out on the screen behind me, is: *"We create entertainment experiences where the passion, thrills and enjoyment of the Australian way of life come alive. At the same time, we put back into our communities and take our social responsibilities seriously. We want you to love the game like we do."*

This mission underpins all aspects of our business and is incorporated in our strategic thinking as we move forward.

## 2014 Financial Overview

I would now like to provide you with a brief overview of our performance in the 2014 financial year.

Net Profit After Tax of \$129.9 million was up 2.6 per cent on the prior corresponding period.

Excluding the impact of significant items, Net Profit After Tax from continuing operations was \$149.4 million, up 7.4 per cent.

In the face of subdued trading conditions during the year, this positive performance demonstrates the benefits of being diversified across four businesses and highlights the resilience of our business model, as well as the benefits of our disciplined investment strategy targeting high growth areas.

In September, shareholders received a fully franked final dividend of 8 cents per share, taking the full year dividend to 16 cents per share. This represented a payout of 81 per cent of NPAT from continuing operations before significant items, in line with previous guidance to the market.

At the time of our results, we announced that our target dividend payout ratio will increase to 90% of NPAT for FY15. This reflects our confidence in the underlying strength of the group and our strong cash earnings position. We will continue to balance distributions to shareholders against retaining an appropriate level of income for investment in future growth.

## Strategic position

Tabcorp made some significant progress in our strategic agenda during the year.

Firstly, we secured two key licence outcomes, extending retail exclusivity on our NSW TAB licence to 2033, and extending our Queensland Keno licence by a further 25 years to 2047.

An extended licence profile is a very positive outcome for the business and allows us to invest with confidence for the longer term.

In July this year we announced the acquisition of ACTTAB for \$105.5 million, and I am pleased to report that this transaction completed on 14 October. ACTTAB was the second-last government-owned TAB in Australia. It represented a significant opportunity to secure valuable long-life licences to offer totalisator betting, sports betting, Keno and Trackside in a market adjacent to our existing licences. It is a natural fit for Tabcorp and we look forward to bringing our skills and capabilities to the ACT market.

One of the important markets for our business is managing the export of racing on the industry's behalf. We organise and co-ordinate the broadcast of Australian and New Zealand racing to more than 50 countries around the world. During the year we acquired our US-based vision agent, Wyvern. The distribution of racing more deeply into this market will enable us to expand wagering on Australasian racing in the Americas. We appointed new management to run this business and initial results have been pleasing.

Over the past three years much of our effort has been focused on positioning Tabcorp for a sustainable future. I am now pleased to report to you that Tabcorp is a stronger business and is well placed to grow and capitalise on its market leading position.

## Responsible gambling

I would now like to take a moment to acknowledge Tabcorp's ongoing commitment to responsible gambling.

In September, Tabcorp was once again rated the gambling industry's global leader by the Dow Jones Sustainability Index. This index measures companies on economic, environmental and social dimensions. For the ninth time in the past ten years Tabcorp received this recognition, setting us apart from other gambling companies, including casinos. Pleasingly, Tabcorp ranked highest in eleven of

the 19 categories including 'Promoting Responsible Gambling', 'Corporate Governance' and 'Occupational Health and Safety'.

Our commitment to promoting responsible gambling is ingrained in our culture. It informs the way we do business and is fundamental to preserving our mandate to operate gambling licences.

### **Stakeholder benefits**

Tabcorp has a strong track record of sharing the benefits of its operations with its many stakeholders. Substantial sums were again delivered in FY14, with \$735 million returned to the racing industry, primarily in NSW and Victoria where we operate the TAB licences. In addition, Tabcorp paid more than \$500 million in gambling and corporate taxes.

We value our relationships with our stakeholders. To that end, we will continue to advocate for policies that are in the interests of the Australian racing industry, our customers and venue partners.

### **The Australian wagering industry**

I would like to take a moment to highlight that the Australian racing and wagering industry continues to face various challenges – both domestically and internationally.

A key area we believe needs to be addressed is the rise of unlicensed offshore betting on Australian racing and sport.

While it is difficult to measure precisely, there are estimates that as much as 14 per cent of betting by Australian-based customers is conducted with operators who are not licensed in Australia. This is concerning on a number of fronts.

Firstly, because unlicensed offshore operators are not regulated to Australian standards, there are significant risks to consumers in terms of inadequate protection, as well as to the integrity of sport and racing.

Secondly, revenue that would otherwise be returned to the Australian racing industry, and our governments for investment into communities and social infrastructure, is instead going to unlicensed offshore operators.

It is only right and fair for consumers, sporting codes and taxpayers that all operators are subject to the same licence obligations.

Jurisdictions such as France have addressed the issue by prohibiting unlicensed offshore operators from taking bets from French residents. Such changes are also being put in place in the United Kingdom this week. Tabcorp's view is that a similarly powerful response is needed in Australia, and we are in active dialogue with the Federal Government on this issue.

We also continue to advocate for harmonisation of licence conditions across all states and territories to do away with the variability in contributions made by wagering operators to the racing industry and governments.

Sustainable funding for the racing industry has long been underpinned by a model that provides for the sharing of revenue between winning punters and the racing industry, government and the totalisator operator. This is the model under which the TAB has operated for many years and under which the TAB's tote dividends are calculated.

Corporate bookmakers continue to challenge this model by offering customers tote derivatives products that essentially copy the tote price and add a stretched dividend. These operators are able to do this because they are licensed in regimes such as the Northern Territory and Norfolk Island where different requirements enable them to return significantly less to the racing industry than the TABs.

We have been encouraged by the Queensland racing industry's new model for charging wagering operators who bet on their races. This model recognises that corporate bookmakers should contribute more equitably to the racing industry when offering tote odds derivatives products.

Another anomaly is the difference paid in wagering taxes by the various operators.

In FY14, Tabcorp's NSW and Victorian TAB businesses had turnover of approximately \$11 billion. From that, we paid \$212 million in state wagering taxes.

By contrast, it is estimated that the Northern Territory-licensed corporate bookmakers had turnover on racing and sport of more than \$8 billion in the same year. Yet they paid just \$2.7 million in wagering taxes because each operator's tax was capped at \$267,000. Although the cap has recently doubled, it still remains way too low.

Why does all this matter? It matters because gambling taxes are re-invested back into communities through infrastructure and services and all gambling operators should pay their way.

A harmonised approach is fundamental to the future of Australian racing, and is in the interests of all Australian taxpayers.

### **Legal proceedings**

Before I close, I would like to provide a brief update on a legal matter currently underway. Earlier this month, the Victorian Court of Appeal heard an appeal by Tabcorp against a Supreme Court judgment, which related to our claim for a payment of \$686.8 million from the State of Victoria. Our position is 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. We are awaiting the outcome of this appeal.

### **Conclusion**

In conclusion, Tabcorp today is a leading and highly-respected Australian gambling entertainment company. We hold secure, long-term licences in Australia's most attractive markets and we are well diversified across four businesses, with a deep customer base and the strongest and most trusted brands in the gambling market.

Our position has been strengthened this year through the extension of key licences and through the acquisition of ACTTAB.

Our prime focus continues to be enhancing the customer experience. We will prioritise investment and innovation in products, digital technology and in other high growth areas.

Pleasingly, we ended the 2014 financial year in a stronger position than when we started it.

This could not have been achieved without the significant efforts and commitment of our 3,000-plus employees.

I would also like to acknowledge the support of our many stakeholders. These include our racing industry and sporting code partners, our licensed venue and agency operators, and, most importantly, our customers. I would also like to thank you, our shareholders, for your ongoing support.

I would now like to introduce our CEO, David Attenborough.

## MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you Chairman. It's once again a privilege to be addressing you at our AGM in this, our 20<sup>th</sup> anniversary year. I'm especially pleased to be here in NSW where we are also celebrating the 50th anniversary of the NSW TAB, an institution which has been such an integral part of the racing industry and the broader entertainment landscape in this state.

As the Chairman has outlined, 2014 was a good year for Tabcorp both from a financial perspective and in terms of strengthening our position in the marketplace.

Our business has changed a lot in recent years. We've secured the licences that we need and we've strengthened our product offering and channels to market. We now have an integrated gambling entertainment business with strong trusted brands, geographic diversification and a unique multi-product and multi-channel distribution network.

Our 2014 financial results demonstrate the benefits of our model and I'm pleased to say the company is performing well. This is most meaningfully represented by:

- Our profit growth of 7.4% for our continuing operations before significant items; and
- Our growth in EBITDA from continuing operations before significant items of 4.8%.

I would now like to take you through the performance of each of our four businesses, starting with Wagering.

### Wagering

In short, Wagering had a very good year. Total revenues were up 1.8 per cent, with growth in the second half stronger than the first half and EBITDA grew 6.5% to \$282 million.

Our customers bet more with us. Customers have choices in today's market, but they continue to find our products and channels attractive. Unlike our competitors, we offer customers the option to bet seamlessly across a variety of different channels, and across a full range of products such as fixed odds, totalisator betting and Trackside – with the option to receive loyalty benefits through our TAB Rewards program.

There were two big events in the second half of the financial year, The Championships at Royal Randwick, which has given Sydney a world-class racing event, and the Soccer World Cup.

The first year of The Championships was well received, with strong betting, and we will build on this in coming years. We worked closely with Racing NSW and the Australian Turf Club to lay the foundations for a successful event and we welcome the ongoing support of the NSW Government.

Tabcorp led the wagering market with the Soccer World Cup. The event produced revenues across TAB and Luxbet of \$25 million, of which \$15 million was in FY14. This was supported by our 'Back Gold' campaign featuring ex-Socceroo goalkeeper, Mark Schwarzer, and a dedicated World Cup website which was designed, built and released to market within two months.

Our expanded in-house digital team has also delivered another innovation for account customers as we head into the busiest week of the year - Melbourne Cup week. Our TAB App now offers TouchID, which means customers can log into the app quickly and more securely with their thumbprint. We were the first wagering operator to market with this technology.

Our disciplined investment in high growth areas such as digital and fixed odds wagering in recent years is paying off. We are achieving significant growth in these areas and the Wagering business, as a whole, has good momentum.

### Media and International

Turning now to our Media and International business, which operates Sky Racing, Sky Sports Radio and manages our international business activities. Revenue growth in this business was 6.2%, benefiting from more export of Australian racing vision and the co-mingling of pools. Expenses were up 5.0%, partly

attributable to one-off restructure charges and the acquisition of our US-based vision agent, Wyvern. EBITDA was \$68.5 million, up 2.2%.

One of the highlights of the year was Singapore starting to co-mingle with the NSW TAB. In doing so, Singapore became the first major Asian tote pool to co-mingle into pools offshore. We have been at the forefront of global co-mingling and this is another noteworthy step. Once again, Tabcorp demonstrated its ability to monetise racing's vision for the benefit of the racing industry, with returns to racing from broadcast rights and our international business growing almost 16%.

The business achieved a first during FY14 with the extension of the Big Sports Breakfast radio program into Sky Racing's TV channels. So you can now watch Michael Slater and Terry Kennedy live on Sky with all the sports news and betting information as they go to air each weekday morning.

Finally, we continue to work towards securing the media rights for NSW and Victorian racing. We are working through the negotiations but remain steadfast that we want to achieve a fair, commercial and sustainable outcome for all parties.

### **Gaming Services**

Our Gaming Services business, TGS, delivered revenues up 13.7%, and EBITDA up 14.9% in its first full 12 months of operation.

This business provides Tabcorp with steady cash flows and offers a compelling proposition for venues via high quality gaming machines, a market leading loyalty offer and a range of other services like venue design.

The business has established a solid foundation in Victoria and commenced entry into NSW during the year. TGS venues in Victoria outperformed the broader market in FY14, demonstrating the clear value proposition of the business. We will continue to invest in TGS to capitalise on the significant opportunities available for growth.

### **Keno**

Turning to our Keno business which operates in more than 3,600 venues across NSW, Queensland and Victoria.

Keno is a social lottery game, with strong recreational appeal and it has grown over the last few years to become a substantial part of our portfolio. However, revenues were flat in FY14 and we are very focused on driving further growth going forward, with a new management team in place and a clear plan to enhance the customer experience.

One initiative planned for delivery this financial year is the commencement of jackpot pooling between NSW and Victoria. This will give customers the opportunity to play for large prize pools more frequently.

We have seen the interest that big jackpots can create in Keno in recent months, with \$4.2 million being won at the North Ryde RSL and \$2.8 million at the Jim Dandy Hotel in Melbourne.

### **Balance sheet and funding**

We continued to focus on strengthening our balance sheet and lowering our funding costs in FY14. As part of that, we refinanced our May 2014 debt maturities, which is expected to result in approximately \$10 million of annual interest savings. Our sources of funding continue to be well diversified and the maturity of our debt is well staggered. The next major refinancing activity is not due until June 2016.

### **Capital expenditure**

Our capital expenditure of \$150 million in FY15 demonstrates our continued commitment to investing in the business. Areas of particular focus will include improved fixed odds systems, expanded wagering products and ongoing investment in digital platforms. We will also invest in the expansion of TGS, Keno jackpot pooling and international co-mingling.

## People

To position the group for a sustainable and profitable future, it has been important to energise and empower our people and instil a relentless customer focus.

This brings me to our team. We are committed to retaining our top talent and attracting the best people. We have been making good progress on driving engagement, focusing in particular on leadership competency and talent development.

In 2014, we also launched a group-wide gender diversity program. It's an area we're passionate about because we know organisations with inclusive cultures produce better results. Pleasingly, we have already exceeded the 33% target set for senior management levels. But we recognise there is more to do.

I would like to take a moment to thank our more than 3,000 employees for their significant contributions during the year.

Throughout our 20 years, Tabcorp has a proud record of contributing to the community. This continued in FY14, in particular through our Tabcare program, which enables our employees to give back to their community through two programs. The first is one day of paid volunteer's leave each year. The second is a program that matches employees' fundraising efforts.

## 2015 priorities

In conclusion, FY14 was a successful year for Tabcorp.

We are now focused on capitalising on the opportunities available to the business.

In Wagering, we will further integrate our retail and digital channels, and focus on product expansion and embedding ACTTAB into our Wagering business.

In Media and International, our focus is on concluding the media rights negotiations and expanding international co-mingling.

In TGS we will expand further into NSW, whilst consolidating our position and driving outperformance in Victoria.

And for Keno, we will establish jackpot pooling, to bring more customers into the game as part of our plan to drive improved performance in that business.

At the same time we will maintain expense discipline and remain committed to delivering improved returns.

We have started the 2015 financial year well, with Group revenues in the first quarter of \$537.4 million, up 6.6% on the prior corresponding period. We're now looking forward to a successful Spring Racing Carnival and an exciting Melbourne Cup week, beginning with Derby Day this Saturday.

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

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