

**Tabcorp Holdings Limited
ABN 66 063 780 709
Annual General Meeting
17 October 2018**

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

CHAIRMAN'S ADDRESS

Introduction

FY18 was a company-defining year.

The combination of Tabcorp and Tatts has created a world-class, diversified gambling entertainment group, well positioned to compete, innovate and invest in a continuously evolving market.

On behalf of the Board of Tabcorp, I would like to welcome our many new shareholders who have joined us following the combination with Tatts.

We have now confirmed a first-rate leadership team and we have tasked them with making a success of this unique opportunity.

I am pleased to report that the integration is progressing well, and we are on track to deliver in FY21 at least \$130 million per annum of EBITDA from synergies and business improvements.

The Tabcorp Group operates a portfolio of market-leading businesses, under a series of long-dated government-issued licences and authorisations.

We employ 5,000 people and serve more than three million registered customers. Through newsagencies, hotels, clubs, TAB agencies and service stations, we have more than 8,000 retail outlets, the largest network of retail points-of-presence of any company in Australia.

Tabcorp has three primary business divisions – Lotteries & Keno, Wagering & Media, and Gaming Services. Our portfolio includes trusted consumer brands such as Golden Casket, Tatts, NSW Lotteries, TAB, Sky Racing and Keno. We also have B2B brands, including MAX and TGS.

In addition to completing the combination with Tatts, during the year we closed the loss-making Luxbet business and made the decision to exit our UK start-up Sun Bets.

At the same time as progressing the integration of Tatts we have accelerated digitalisation across the Group. We also launched new products including an updated Powerball game, the TAB Multiplier and Keno Mega Millions.

In FY18, we continued to prioritise and invest in our capability to maintain the highest standards of risk management and compliance across the Group.

Pleasingly, recent regulatory reforms have brought clarity in terms of our operating environment and will create a more sustainable industry in which Tabcorp is well positioned.

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Tabcorp-Tatts combination

Turning now to the combination with Tatts.

The combination of the two companies was initiated in October 2016, and after a protracted approvals process, was completed in December 2017. We were pleased to secure the overwhelming support of our stakeholders, our racing industry and venue partners and Tatts shareholders.

We are already starting to realise the benefits of the combination. We have taken all the decisions to deliver \$50 million of EBITDA benefits from synergies and business improvements in FY19. The delivery of these benefits is embedded into the performance targets for executive management.

In December last year, a new Executive Leadership Team was established, led by Managing Director and CEO, David Attenborough, and drawing on talent from both organisations.

Achieving a strong and aligned performance and risk aware culture remains a key imperative for Tabcorp. Our culture is underpinned by our values, which are embodied in our newly launched purpose of 'Excitement with Integrity'.

The board oversees the measurement, monitoring and reporting of key cultural indicators and I'm pleased to report a strong cultural fit across the two companies.

Before I turn to the Group's results for FY18, I would like to acknowledge that some shareholders have expressed concerns about the Remuneration Report, which shareholders will be asked to vote upon later in the meeting.

It is clear these concerns relate principally to the Merger Completion Awards granted to management following the Combination becoming effective.

These one-off Merger Completion Awards were in recognition of management's extra-ordinary efforts, over a prolonged period, to successfully negotiate this strategically complex transaction, and in addition to their existing duties. The awards were paid partly in cash and partly in restricted shares subject to a two-year service condition.

In particular, a number of shareholders have told us of their preference for these awards to be conditional on the achievement of the benefits of the Combination.

After considering shareholders' feedback, the Board acknowledges the concerns and now intends to apply a synergy-based performance measure and to extend the vesting period for the restricted shares granted to key management personnel under the merger completion award. The new performance measure will be based on the achievement of synergies and benefits from the combination at the end of FY21, and the vesting period will be extended from two years to three and a half years.

Group results

Turning now to the Group's results for FY18. The results include Tatts contributions from 14 December 2017, as shown in the year-on-year growth rates.

Tabcorp reported a statutory profit after tax of \$28.7 million, impacted by significant items after tax of \$217 million, principally associated with the Tatts combination, Sun Bets exit and Luxbet closure.

Against the backdrop of a significant integration, the Group delivered a strong second half performance, particularly in the Lotteries & Keno and Wagering & Media business divisions.

During the year, Tabcorp successfully refinanced the \$1.8 billion bridge facility taken out to fund the Tatts combination. We issued US\$1.4 billion of notes into the US Private Placement market, notably with long-dated maturities. This transaction de-risks our financing profile and secures the balance sheet for the long term.

Shareholders received dividends of 21 cents per share, fully franked, for the full year, including a final dividend of 10 cents per share.

Reflecting the phasing of integration benefits, the FY19 dividend target is 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence and the impact of purchase price accounting.

Partnerships

Tabcorp is the operator of multiple government-issued licences and authorisations.

Integrity and trust must be at the heart of everything this Company does. If we are to continue to be commercially successful, we have to hold the trust of our customers, governments, regulators and our partners as we deliver exciting gambling experiences. We must also be aligned and deeply collaborate with our many stakeholders. In FY18 Tabcorp's businesses generated more than \$900 million for the racing industry and close to \$600 million for our venue partners. In addition, more than \$1.1 billion was paid in gambling and other taxes.

These returns to stakeholders illustrate that Tabcorp's commercial success is fundamental to the success of our partners and substantially contributes to the community.

Tabcorp in the Community

Tabcorp has an active corporate responsibility strategy focused on the five pillars of Community, Governance, Workplace, Responsible Entertainment and Environment.

In FY18 we provided more than \$1.9 million in voluntary contributions to organisations such as the Starlight Children's Foundation, the National Jockeys Trust and the Prostate Cancer Foundation.

Since year end we have continued the Tatts tradition of supporting Queensland's Mater Foundation with a \$500,000 donation. Golden Casket will also be a major partner for the Brisbane Children's Hospital Foundation telethon later this year.

Recently, in August, Tabcorp contributed to drought relief efforts in NSW and Queensland by donating \$500,000 to organisations including Rural Aid and the Queensland Country Women's Association, as well as providing \$100,000 of in-kind support through our racing broadcaster, Sky Racing.

Proceeds of \$500,000 from unclaimed Golden Casket prizemoney in Queensland have also been directed to local drought relief efforts.

Regulation

During FY18 there was significant regulatory change in the gambling sector.

These reforms have created a better regulated and more sustainable gambling industry. This is positive for Tabcorp, the racing industry and the communities in which we operate.

Let me now outline some of these reforms.

In June this year, the Federal Parliament passed legislation banning synthetic lottery betting from January 2019.

During FY18, most states followed South Australia and announced plans for point of consumption taxes. These new taxes will see states generate revenue for the first time from bets placed by their residents with Northern Territory and other interstate-licensed bookmakers. The regime commenced in Queensland this month, with NSW, Victoria and Western Australia set to follow from January 2019.

Other reforms include the clear prohibition of online in-play betting on sport, which came into effect in August 2017 and the banning of wagering operators offering credit to bet from February 2018. In March this year, new restrictions on gambling advertising during live sports broadcasts came into effect.

We welcome the opportunity to compete in a well-regulated market, which is backed by strong enforcement.

Board changes

I would now like to provide you with an update on our Board of Directors.

Tabcorp welcomed Harry Boon to the Board in December 2017 and he is up for re-election later in this meeting. Harry chaired the Tatts Board since 2006. He brings significant Non-Executive Director experience and deep insight into the Tatts business.

Elmer Funke Kupper will retire from the Board of Tabcorp at today's meeting. On behalf of everyone at Tabcorp I extend our good wishes to Elmer. We thank him for his significant contribution to the Company as the former Managing Director and CEO and as a Non-Executive Director.

Following the combination with Tatts, Tabcorp is now a larger Company operating a broader portfolio of businesses. As a result, we have restructured our standing Board Committees to ensure focus on the key business priorities for the Group. These committees comprise the Risk and Compliance Committee, chaired by Bruce Akhurst, the Audit Committee, chaired by Vickki McFadden and the People and Remuneration Committee, chaired by Ziggy Switkowski.

During the year we also set a new target to have at least 40 per cent female non-executive directors by the end of FY23 and at least 40 per cent of senior leadership positions filled by females by the end of FY21.

In preparation for this Annual General Meeting, and in discussions with investors and proxy advisers, there have been views expressed in relation to the role of Boards, and Director accountability.

The two Tabcorp issues which have been in focus are the AUSTRAC matter and our start-up Sun Bets joint venture. These issues are coming to the fore in the voting on the Remuneration Report and the re-election of Steven Gregg.

The Directors of Tabcorp feel it is important to put the facts relating to each of these matters on the record.

Let me first touch on the Company's former AUSTRAC proceedings, which were settled in FY17. As you know, the Company paid a \$45 million penalty and made admissions of non-compliance with our anti-money laundering and counter-terrorism financing obligations.

As acknowledged in the agreed facts put forward to the Federal Court by AUSTRAC and Tabcorp, the Directors were not made aware of any significant deficiencies in the Company's AML/CTF program, until such matters were raised directly with us by AUSTRAC, in 2014.

As soon as Directors were made aware, the Board acted strongly and decisively to address any deficiencies. This included instructing management to commence a significant program of investment to enhance the AML/CTF program.

In addition, management remuneration was reduced in FY15, FY16 and FY17. Further some executive restructuring occurred.

The Company's positive response to AUSTRAC's concerns has been publicly acknowledged by AUSTRAC.

Given the acknowledgment of the regulator and the facts around Tabcorp Board accountability as approved by the Federal Court, it is unfair and incorrect for Directors of Tabcorp to continue to be targeted on perceptions of failed accountability.

Let me now turn to Sun Bets.

Sun Bets was considered an attractive start-up opportunity to which the Board and management applied appropriate governance, oversight and scrutiny. It leveraged one of Tabcorp's core skills, in partnership with one of the UK's most powerful media brands, and went live in August 2016.

The Board was satisfied that the risks were reasonable. Recognising the importance of dividends to our shareholders, we ensured the start-up did not adversely impact the dividend.

When it became apparent that the business was underperforming and that material improvement was not expected, we again acted decisively, exiting early such that the business did not drag further on Group performance.

The disappointing performance of Sun Bets caused management's remuneration to reduce in FY17 and FY18.

The Board of Tabcorp debates issues and opportunities vigorously and at length. While SunBets was one such strategic opportunity, the combination with Tatts was another. On this occasion, I think this transaction will prove to be a hugely important step for Tabcorp and underpin our success for years to come.

It is critical for the success of Australian businesses, the economy overall and in the interests of shareholders, that Boards and management teams make considered investments to drive long term growth and shareholder value. In fact, this is a key aspect of the Board's role.

Not all these bets will pay off. However, it does not serve the interests of shareholders for Boards and management to do nothing for fear of retribution.

As directors of Tabcorp we accept and welcome our accountability for the performance of our company. It is disappointing that a well-considered initiative, although unsuccessful, is used selectively or in isolation to discredit Tabcorp director performance.

Conclusion

In conclusion, I would like to acknowledge our many customers across Australia for their support in FY18. Whether they are playing Australia's official lotteries, loving a bet or operating one of the many venues we service, it's our goal to provide excitement with integrity.

I would like to acknowledge and thank our many stakeholders for their support during the year. Having the AGM in Brisbane has given Directors the opportunity to once again engage with our Queensland racing industry and venue partners.

I would also like to thank our employees who have put in substantial effort over the last 12 months in running our businesses, while bringing the combination with Tatts to life.

We entered FY19 with positive business momentum. We are executing on a clear plan to progress the integration and deliver the benefits. At the same time, we are driving growth opportunities across our three main businesses. Tabcorp remains committed to maintaining the highest levels of regulatory compliance.

I would like to thank you, our shareholders, for your continued support of Tabcorp and will now hand you to our Managing Director and CEO, David Attenborough, for his account of FY18.

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MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you, Chairman.

As I explained when we announced our full year results back in August, I look back at FY18 as the most exciting and challenging of my 30 years in the gambling industry.

The benefits arising from the combination of Tabcorp and Tatts are compelling, and I am privileged to be given the opportunity to lead this world-class, diversified gambling entertainment group.

Ten months in, the integration is on track. There is a lot of work ahead of us, but we are very well placed to deliver the benefits from the combination for our many stakeholders.

Pleasingly, the Group delivered a strong second half performance in FY18, which demonstrates that our focus on the integration hasn't disrupted our businesses.

Group financial performance

As the Chairman outlined, the Group reported NPAT of \$28.7 million in FY18, which was impacted by significant expense items. NPAT before these significant items was \$246 million, up 37.6%, Group revenues were \$3.8 billion and EBITDA was \$736 million. These numbers include the Tatts Group contributions from December 2017.

Businesses in review

Lotteries and Keno

I would like to now provide an overview of the FY18 performance of each of our three business divisions, commencing with Lotteries & Keno, led by Sue van der Merwe.

Tabcorp operates lotteries across all Australian states and territories except Western Australia, with reach into half the adult Australian population. We have an extensive presence in about 4,000 retail outlets.

Keno is operated by Tabcorp in Victoria, ACT, NSW, Queensland and South Australia and is distributed across 3,600 retail venues and digitally out of the ACT.

In FY18, we made 250 Australians millionaires through the sale of our lotteries and Keno products. The Lotteries and Keno business delivered strong earnings, with FY18 statutory revenues of \$1.4 billion and EBITDA of \$256 million.

As part of the active management of the lottery product portfolio, our flagship Powerball game was relaunched during the year. We've repositioned Australia's biggest jackpotting game to deliver more prizes overall and the bigger jackpots customers want. Many of you will remember the extraordinary hype surrounding the \$100 million Powerball jackpot a few months ago.

Lotteries' sales through our retail channels grew in FY18. As part of our plan to ensure a more digitally enabled retail network, we rolled out new electronic point-of-sale displays in more than 1,000 outlets.

Digital sales were up a record 28 per cent in FY18. Digital makes up almost 18 per cent of total lottery sales and we now have more than 2.9 million registered online players. The digital growth was supported by investment in our platforms, including a new website for The Lott, which has grown visitation and brand awareness, and enhancements to our apps.

Keno has historically been in venues only. In FY18 it benefited from a digital focus, with digital share of sales increasing from 0.7 per cent in FY17 to 3.8 per cent in FY18.

Keno Mega Millions, a game which has been operating in NSW and gives customers the chance to win \$5 million, was launched in Queensland in March 2018 and went live in Victoria last month.

Wagering & Media

Our Wagering & Media business, led by Adam Rytenskild, was expanded with the addition of UBET and refocused with the closure of Luxbet and the Sun Bets exit.

It was an exciting year for racing and sport punters, with Winx winning her third Cox Plate and the Soccer World Cup in Russia among the many highlights.

Wagering & Media delivered FY18 statutory revenues of \$2.2 billion and EBITDA of \$397 million. Continued investment in the digital customer experience was a priority in the year. Pleasingly, TAB digital turnover grew at 16 per cent, with continued growth in active account holders. This was driven by successful campaigns across the major racing events, including the first ever TAB Everest, a race we were proud to sponsor again for its second running on the weekend. We now have some 720,000 active account customers across TAB and UBET.

The stronger performance of the TAB brand in Victoria, NSW and the ACT versus the UBET brand in Queensland, South Australia, Tasmania and the NT was again evident throughout FY18. Next month we'll start rolling out the iconic TAB brand to replace UBET. This will be ahead of the Magic Millions race day on the Gold Coast in January where the TAB brand will be front and centre.

Following a strategic review of Sun Bets announced in the first half, we reached an agreement to exit the business in July 2018. The Sun Bets opportunity was about entering a large, growing and well-regulated market with an established partner in News Corp, with whom we still maintain a strong relationship. However, the business didn't meet our targets and we made the decision to exit. The company has learned valuable lessons from this start-up venture which have been embedded into our strategic planning processes.

Gaming Services

Moving on to Gaming Services, led by Frank Makryllos, which operates a business-to-business model. It has a national footprint across multiple market segments in the gaming services value chain. It's underpinned by gaming machine monitoring licences in NSW, Queensland and the Northern Territory and systems and services contracts with licensed venues nationwide.

FY18 statutory revenues were \$250 million and EBITDA was \$122 million. A highlight was the successful implementation of the Centralised Monitoring System in NSW under a new 15-year licence.

New gaming machine arrangements announced in Victoria have provided certainty for the industry post 2022. Our TGS business has been impacted by the expiry of a number of venue contracts, and a key focus for the team is to extend contracts with existing venues to beyond 2022. These extensions are coming at lower margins but support TGS' sustainability. We're also working to attract new venue sign-ups across Victoria and NSW, where the market is large and fragmented.

Integration

I would now like to provide an update on the integration program. We have been focused on delivering the benefits of the integration as efficiently as possible, while making long-term decisions and maintaining momentum in each of our businesses.

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We have a specialist team in the integration management office, overseen by our Chief Strategy Officer, Ben Simons.

Early integration activities have included consolidating corporate functions, combining the UBET and TAB fixed odds books and the co-location and consolidation of certain teams. These and other activities give us confidence that we are on track to deliver at least \$50 million of EBITDA synergies and business improvements in FY19 and at least \$130 million of EBITDA benefits in FY21.

Tabcorp is also undertaking two major property projects in coming years – the relocation and consolidation of legacy data centres, and the fit-out of a new Queensland headquarters in Ann St in Brisbane's CBD. As part of this, we plan to sell our Woolloongabba and Albion properties and relocate teams next year.

The data centre consolidation highlights one of the benefits of bringing the companies together. The total cost of the relocation is expected to be at least \$30 million less than Tabcorp and Tatts had budgeted to spend on a stand-alone basis.

Our people and culture

We know that for mergers to be successful and create long-term value, a strong and aligned performance culture is essential.

If we are to deliver great outcomes for our shareholders, customers and our people, we need a high-performing and engaged team to do it.

So, in this period of substantial change, much of our focus has been on our people and our teams. We have put in place new leadership across the group, bringing together leaders from both Tabcorp and Tatts and key people from outside the Group.

Attracting and retaining key talent is a priority in an era where companies are competing against each other to attract the best.

And while we aim to deliver great experiences for our customers, we also want our team members to enjoy great life moments, inside Tabcorp and out.

Recently, we announced four updated policies to support this, covering parental leave, domestic and family violence support, flexible working and inclusion and diversity. We're proud that these policies better recognise contemporary work practices, while aligning with a strong performance culture to enable us to be commercially successful.

I'm also pleased to report that we were recognised as an Employer of Choice for Gender Equality for the third straight year in FY18. We're the only gambling company in Australia to receive this citation.

This reflects the work we've done to support gender equality, including our annual gender pay gap analysis, which found there was no pay gap for like-for-like roles across the combined group.

FY19 priorities

Tabcorp entered FY19 with positive momentum on the back of an improved second half of FY18.

We are progressing the integration and delivering the expected benefits as our major priority. At the same time, we are executing growth opportunities in each of our businesses, focused on the customer experience and new products.

We are continuing to invest in the highest levels of risk management and regulatory compliance across the Group.

All of this will be achieved while maintaining discipline with operating expenses, capital expenditure and balance sheet management.

Conclusion

In closing, I would like to thank my leadership team and our team members for their efforts in a year of significant change.

I would also like to thank our many partners – not only for their support of the Tabcorp and Tatts combination – but also for our joint efforts in giving customers excitement with integrity.

I will now hand you back to the Chairman.

These addresses will be webcast live on Tabcorp's website at www.tabcorp.com.au from 10.00am Brisbane time (11.00am Sydney/Melbourne time) and will be archived on the website for viewing later today.

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