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Companies Announcements Platform
20 Bridge Street
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TABCORP proposes merger with Tab

Introduction

TABCORP Holdings Limited ("TABCORP") today announced a proposal to merge with Tab Limited ("Tab"). TABCORP's proposal implies a value per Tab ordinary share of \$4.26.

Matthew Slatter, TABCORP's Managing Director and Chief Executive Officer, said, "TABCORP's proposal, if implemented, would provide substantial value to Tab's shareholders and represents a demonstrably superior alternative to the proposed merger between Tab and UNiTAB."

Proposed merger terms

TABCORP is proposing that Tab shareholders will receive:

- 23 TABCORP ordinary shares; and
- \$162.00 cash

for every 100 Tab ordinary shares they own.

These proposed merger terms imply a value for Tab of \$4.26 per share, based on a TABCORP share price of \$11.49 (being the volume weighted average share price of TABCORP shares traded on the Australian Stock Exchange since 13 August 2003, the day on which TABCORP announced its 2003 results).

Under TABCORP's proposal, options over Tab's unissued ordinary shares would be acquired or cancelled for cash at the "in the money" value based on an amount of \$4.26 per Tab ordinary share.

The merger proposal will require, amongst other things, the approval of the New South Wales Government and will not proceed unless TABCORP obtains the necessary Government approvals. If Government approval is forthcoming, legislative amendments to the NSW *Totalizator Act* and *Totalizator Agency Board Privatisation Act* will be necessary.

Substantial premium

The proposed merger would provide Tab shareholders with substantial value.

The implied value of \$4.26 per Tab ordinary share represents:

- a 28% premium to Tab's closing share price prior to the announcement of the proposed merger with UNiTAB¹;

- a 26% premium to the implied value of Tab's shares given the terms of the proposed merger with UNiTABⁱⁱ; and
- a 22% premium to Tab's closing share price yesterdayⁱⁱⁱ.

The implied value of \$4.26 per Tab ordinary share represents:

- a multiple of 22.1 times Tab's reported earnings per share (pre goodwill amortisation) for the year ended 30 June 2003^{iv}; and
- a multiple of 11.2 times Tab's EBITDA for the year ended 30 June 2003^v.

Benefits to Tab shareholders

A merger of TABCORP and Tab would provide Tab shareholders with substantial benefits. The merger would allow Tab shareholders to realise their investment in Tab at a substantial premium. Approximately 40% of the value of their holdings would be realised in cash and 60% in TABCORP ordinary shares. This would allow Tab shareholders to receive a meaningful cash sum while still participating in the larger and more diversified merged entity.

Commenting on the proposed merger, Mr Slatter said, "to the extent that Tab shareholders receive TABCORP shares or choose to reinvest gross cash consideration into TABCORP shares, they would be expected to benefit from a substantial uplift in annual dividends".

Benefits to TABCORP shareholders

Mr Slatter added, "a merger on the proposed terms is expected to be marginally earnings per share accretive (pre amortisation) in the second full year and TABCORP's strong track record of increasing dividends on an annual basis is expected to be maintained. In the medium term, we believe that significant value will be created for TABCORP shareholders arising from synergies within the merged entity, increased scale and business diversity and enhanced financial position."

Benefits to NSW

Mr Michael Robinson, TABCORP's Chairman, said, "we are excited by the opportunity which a merger would create to substantially expand our operations in NSW. We look forward to the prospect of combining our core wagering skills with those of Tab to further enhance the appeal of those operations for customers, the NSW Racing Industry and for the benefit of all stakeholders and NSW generally. The completion of a merger would see the merged entity's wagering head office being based in NSW."

The merged entity

If TABCORP's proposal is implemented, the merged entity would be expected to have annual earnings before interest, tax, depreciation and amortisation of more than \$900 million.

"Those earnings, combined with an investment grade credit rating, would position TABCORP to pursue growth opportunities in Australia and abroad", Mr Robinson said.

The merged entity would operate Australia's leading gambling and entertainment businesses. This would include:

- ownership of wagering operations in New South Wales and Victoria;
- operation of four of Australia's leading hotel and entertainment facilities – Star City in Sydney and Conrad Jupiters, Conrad Treasury and Jupiters Townsville in Queensland;
- operation of approximately 18,000 gaming machines on the east coast of Australia;
- operation of key wagering media businesses, including Sky Channel; and

- Keno and gaming machine monitoring operations (including jackpotting) in New South Wales, Queensland and Victoria.

Mr Robinson also commented, “if a merger were to proceed, we would look forward to increasing the number of NSW based directors on the board of TABCORP to reflect the increased importance of NSW to the merged group”.

Merger implementation and conditions

The most appropriate method of implementing the merger proposal will be determined following further discussions with the NSW Government and the board of Tab.

TABCORP’s proposal is subject to certain conditions, including those summarised below:

- NSW Government making a regulation and/or the NSW Parliament amending legislation to allow TABCORP to acquire an interest in more than 10% (and up to 100%) of Tab’s ordinary shares under the *Totalizator Act* and the *Totalizator Agency Board Privatisation Act*, and the NSW Parliament amending the *Totalizator Act* to remove the NSW casino cross-ownership restriction;
- the ACCC confirming that it does not object to the merger proposal;
- TABCORP unconditionally receiving all other regulatory approvals and there being no adverse regulatory action in relation to the merger proposal;
- Tab does not complete the proposed merger with UNiTAB;
- no material adverse change to Tab or its business, assets or financial position or prospects occurring, no disposal of any substantial part of Tab’s business and no material new activities, corporate transactions or agreements being proposed or implemented;
- TABCORP acquiring 100% of Tab’s ordinary shares and options over unissued shares;
- no material adverse change in the international or domestic debt markets occurring;
- no ‘prescribed occurrences’ occurring; and
- Tab not paying any special dividends and only paying ordinary dividends in accordance with past practice.

Media and analysts’ presentations

TABCORP will host a presentation to the media at 5pm today to discuss the proposed merger with Tab.

TABCORP will also host an analyst’s briefing via teleconference at 5.45pm today to discuss the proposed merger with Tab.

The media presentation will also be webcast (www.tabcorp.com.au). A copy of the presentation material is attached to this announcement and will also be posted on TABCORP’s website.

UBS is acting as financial adviser to TABCORP and Allens Arthur Robinson is acting as legal adviser to TABCORP.

For further information please contact

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Attachment

Operating profile of the merged entity

A merger of TABCORP and Tab would create one of the world's premier gambling and entertainment companies. The new company would be the leading casino operator, wagering company and gaming machine operator in Australia. This would give the new company an excellent platform from which to grow in Australia and abroad.

Details of the operations that the new company would have are as follows

Wagering

- Totalisator and fixed odds betting in excess of 2,400 retail outlets, on-course, internet, and by phone under licence in Victoria and New South Wales

Network Games

- Keno in over 1,800 venues across NSW and Queensland and the joint operator of Keno under licence in Victoria
- Monitoring services (including jackpotting) on around 40% of gaming machines in Queensland and all gaming machines in New South Wales

Gaming

- 13,750 gaming machines in 270 venues across Victoria

Casinos

- Operator of Star City Casino in Sydney providing 1,500 gaming machines and 200 tables
- Operator of three casinos in Queensland - Brisbane, Gold Coast, and Townsville, providing nearly 3,000 gaming machines and 200 tables

Media

- Provider of Sky Channel satellite television service telecasting race meetings and other sporting events throughout Australian and internationally
- Provider of 2KY1017 radio broadcast service covering thoroughbred, harness, and greyhound races across Australia

Operating profile of TABCORP

TABCORP is Australia's premier gambling and entertainment group and is one of the world's largest publicly listed gambling companies. The TABCORP Group (including Jupiters) currently conducts a unique combination of gambling and hospitality activities, including:

- gaming operations in Victoria under the Tabaret brand;
- wagering operations under brands such as TAB (Victoria), TAB Sportsbet and FootyTAB. The Trackside and Club Keno brands also operate within TABCORP's wagering division; and
- casino and hospitality operations at the only casino in New South Wales, Star City Casino, and three casinos in Queensland

Details of TABCORP's operations are as follows.

Wagering

- Sole licence to conduct off-course totalisators in Victoria on thoroughbred, harness and greyhound racing in Australia and New Zealand
- Totalisator and fixed odds betting on sporting and other events
- 566 retail outlets, on-course and by phone

Network Games

- Keno in over 1,800 venues across NSW and Queensland and joint operation of Keno under licence in Victoria
- Monitoring services to around 40% of the Queensland gaming machine market

Gaming

- One of two licences which permit the monitoring and operation of gaming machines in licensed clubs and hotels in Victoria
- 13,750 gaming machines in 270 venues across Victoria

Casinos

- Operator of Star City Casino in Sydney providing 1,500 gaming machines and 200 tables
- Operator of three casinos in Queensland - Brisbane, Gold Coast, and Townsville, providing nearly 3,000 gaming machines and over 200 tables

Operating profile of Tab

Tab is one of Australia's premier wagering companies, offering bets through almost 2,000 retail outlets in NSW and via telephone and internet^{vi}. Tab currently conducts an extensive wagering business in conjunction with its satellite television service, Sky Channel, which telecasts sporting events and race meetings both in Australia and internationally

Wagering

- Totalisator and fixed odds betting in excess of 300 agencies, approximately 1,600 PubTABs and ClubTABs and 175 race tracks in NSW and southern Queensland
- Exclusive licence to provide monitoring services to clubs and hotels across New South Wales

Media

- Provider of Sky Channel satellite television service telecasting race meetings and other sporting events throughout Australian and internationally
- Provider of 2KY1017 radio broadcast service covering thoroughbred, harness, and greyhound races across Australia

Network games

- Holds the sole licence for NSW Statewide Linked Jackpots for clubs and hotels through its games such as Maximillions, Bullionaire and Dollar Dazzler in clubs and The Stash and Lasseters Loot in hotels in NSW
- Sole licence to monitor more than 100,000 gaming machines in NSW

Notes to the announcement

ⁱ Calculated using Tab's closing share price on 14 October 2003 of \$3.34

ⁱⁱ Calculated by applying the merger ratio of 0.48 UNiTAB shares per Tab share to UNiTAB's closing share price of \$7.04 on 4 November 2003

ⁱⁱⁱ Tab's closing share price yesterday was \$3.52

^{iv} Tab's 2003 EPS (pre amortisation) was \$0.19

^v Assuming Tab has 451.2 million shares on issue, net debt as at 30 June 2003 of \$393 million (adjusted for customer account balances of \$29.3 million as at 30 June 2003), options in the money to the value of \$3.2 million and 2003 EBITDA of \$206 million

^{vi} From ASX & Media Announcement, "UNiTAB and Tab Propose Merger", 16 October 2003