

Second Supplementary Bidder's Statement

By TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084)

(a wholly owned subsidiary of TABCORP Holdings Limited

(ABN 66 063 780 709))

in relation to its off-market bid for Tab Limited (ABN 17 081 765 308)

1. Introduction

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**). It is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084) (**Bidder**), a wholly owned subsidiary of TABCORP Holdings Limited (ABN 66 063 780 709) (**TABCORP**), in relation to Bidder's takeover bid (**Offer**) for all of the fully paid ordinary shares (**Tab Shares**) in Tab Limited (ABN 17 081 765 308) (**Tab**).

This Second Supplementary Bidder's Statement supplements, and should be read together with, the Bidder's Statement dated 2 April 2004 (**Original Bidder's Statement**) and the supplementary bidder's statement dated 4 May 2004 (**First Supplementary Bidder's Statement**) in relation to the Offer.

Words defined in the Original Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement, unless the context requires otherwise. The rules of interpretation set out in section 12.2 of the Original Bidder's Statement also apply to this Second Supplementary Bidder's Statement, unless the context requires otherwise.

2. Overview

In this Second Supplementary Bidder's Statement, Bidder supplements the Original Bidder's Statement and the First Supplementary Bidder's Statement to take into account certain events which have occurred since the date those documents were lodged with ASIC, being:

- an announcement by Tab that the Tab Board now unanimously recommends that Tab Shareholders accept the Offer, in the absence of a superior proposal (see section 3 below for further details);
- an announcement by TABCORP that Bidder will increase the cash component of the Offer consideration to \$2.10 per Tab Share, but only if, at or before the end of the Offer Period, Bidder obtains a relevant interest in at least 90% of the Tab Shares (see section 4 below for further details);
- the receipt by TABCORP and Bidder of letters from the NSW Racing Minister stating that the NSW Racing Minister will nominate Bidder as the Nominated Company, subject to Bidder receiving acceptances under the Offer for more than 50% of the Tab Shares, and relating to sections 43(2) and 43A(1) of the Totalizator Act (as proposed to be amended by the Totalizator Amendment Act) (see section 5 below for further details);

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084) Second Supplementary Bidder's Statement

- the entry by TABCORP and Bidder into an agreement with the State of New South Wales providing for certain matters in connection with the Offer (see section 6 below for further details);
- the execution of the Loan Facility Agreement described in section 6.5 of the Original Bidder's Statement (see section 7 below for further details); and
- the declaration by Bidder that the Offer is free of certain of the defeating conditions to the Offer (see section 8 below for further details).

3. Tab Board Unanimously Recommends Acceptance of the Offer

In a joint announcement with TABCORP on 27 May 2004, the Tab Board announced that it unanimously recommends that Tab Shareholders accept the Offer, in the absence of a superior proposal (which the Tab Board considers unlikely). All of the directors of Tab who hold Tab Shares have indicated that they intend to accept the Offer in relation to those shares.

These statements by the Tab Board were made in conjunction with the announcement by TABCORP of the proposed conditional increase in the Offer consideration, as described in section 4 of this Second Supplementary Bidder's Statement.

4. Conditional Increase in Offer Consideration

4.1 Announcement on 27 May 2004

On 27 May 2004, TABCORP announced that Bidder would increase the cash component of the Offer consideration by 10 cents per Tab Share (the **Additional Cash Consideration**) to \$2.10 per Tab Share. However, that increase will only occur if, at or before the end of the Offer Period, Bidder obtains a relevant interest in at least 90% of the Tab Shares (**Increase Requirement**).

The Increase Requirement only applies to the provision of the Additional Cash Consideration, and does not have any impact on the Offer becoming free of the defeating conditions referred to in section 10.7 (a number of which have already been satisfied or waived – see sections 7 and 8 of this Second Supplementary Bidder's Statement), or the payment of the original consideration (the **Original Consideration**) offered under the Offer, which is \$2.00 cash, and between 0.20 and 0.22 TABCORP Shares, per Tab Share, on the terms set out in the Original Bidder's Statement.

4.2 References to the Offer consideration in the Original Bidder's Statement

As a result of the announcement of the conditional increase in the Offer consideration referred to in section 4.1, certain consequential amendments to the Original Bidder's Statement are required to be made, as follows:

- Certain changes are required to be made to the terms of the offers made under the Offer (as set out in section 10 of the Original Bidder's Statement). Those changes will be contained in a notice of variation (the **Notice of Variation**) issued by Bidder pursuant to section 650D(1) of the Corporations Act. At the latest, the Notice of Variation will be issued and sent to Tab Shareholders as soon as practicable (which will be no more than 10 business days) after the Increase Requirement is satisfied.

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084)

Second Supplementary Bidder's Statement

- All references in the Original Bidder's Statement (other than in section 10 of the Original Bidder's Statement which will be amended by the Notice of Variation) to the cash component of the Offer are taken to be followed by the following statement:

The cash component of the Offer consideration will be increased to \$2.10 for each Tab Share if, at or before the end of the Offer Period, Bidder obtains a relevant interest in at least 90% of the Tab Shares.

References to the cash component of the Offer are included in the Letter from the Chairman of TABCORP on page 1, as well as on pages 2, 4, 6, 10 and 16, of the Original Bidder's Statement.

- The references on pages 5, 14 and 16 of the Original Bidder's Statement to the consideration that will be received by a Tab Shareholder who holds 257 Tab Shares and accepts them into the Offer (assuming that the Offer becomes, or is declared, unconditional) are taken to be followed by the following statement:

If, at or before the end of the Offer Period, Bidder obtains a relevant interest in at least 90% of the Tab Shares, the cash component of the Offer consideration will be increased so that you will also be entitled (subject to the same assumptions) to an additional 10 cents per Tab Share, so the amount of cash that you will receive in total in relation to your acceptance will be increased from \$514 to \$539.70.

4.3 References to the implied value of the Offer in the Original Bidder's Statement

The Original Bidder's Statement contemplates that the Offer has an implied value of \$4.50 per Tab Share, assuming a TABCORP Share price of between \$11.36 and \$12.50 and subject to the effects of rounding.

All references to the implied value of the Offer in the Original Bidder's Statement are now taken to be followed by the following statement:

Based on the closing price of TABCORP Shares on ASX on 2 June 2004 of \$13.62, unless Bidder obtains a relevant interest in at least 90% of the Tab Shares at or before the end of the Offer Period, the implied value of the Offer is \$4.72 per Tab Share.

If, at or before the end of the Offer Period, Bidder does obtain a relevant interest in at least 90% of the Tab Shares, the cash component of the Offer consideration will be increased by 10 cents cash per Tab Share. Based on the closing price of TABCORP Shares on ASX on 2 June 2004 of \$13.62, and assuming that Bidder obtains a relevant interest in at least 90% of the Tab Shares and that such a TABCORP Share closing price were applicable once the increase in the consideration occurs, the implied value of the Offer at that time would be \$4.82 per Tab Share.

References to the implied value of the Offer are included in the Letter from the Chairman of TABCORP on page 1, as well as on pages 2 to 6, 9 and 16, of the Original Bidder's Statement.

4.4 Payment of the Additional Cash Consideration if the Increase Requirement is satisfied

If the Offer becomes, or is declared, unconditional and the Increase Requirement is satisfied, the Additional Cash Consideration to which Tab Shareholders who have validly accepted the Offer will become entitled will be paid (subject to clause 10.6 of the Original Bidder's Statement) in accordance with the following:

- if the Original Consideration has already been paid to the relevant Tab Shareholder, the Additional Cash Consideration will be despatched with the Notice of Variation; and

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084) Second Supplementary Bidder's Statement

- if the Original Consideration has not yet been paid to the relevant Tab Shareholder, the Additional Cash Consideration will be despatched with the Original Consideration (or, in any event, no later than the last day for payment of the Original Consideration),

unless the Notice of Variation is despatched before the Increase Requirement is satisfied. If that is the case, the Additional Cash Consideration will be paid in accordance with the terms set out in the Notice of Variation, which will require payment to be made no more than one month after the Increase Requirement is satisfied.

The reference on page 17 of the Original Bidder's Statement to the time for payment of the consideration under the Offer must be read subject to the disclosures in this section 4.4.

4.5 Funding arrangements

In light of the fact that the Additional Cash Consideration will be provided to Tab Shareholders if the Increase Requirement is satisfied, section 6.4 of the Original Bidder's Statement is taken to be amended by deleting the references to '\$902.2 million', '\$3.4 million' and '\$905.6 million' and replacing them with '\$947.3 million', '\$3.5 million' and '\$950.8 million' respectively.

In addition, TABCORP and Bidder confirm that the statements made in sections 6.5 and 6.6 of the Original Bidder's Statement concerning the funding of the cash required by Bidder in relation to the Offer continue to apply even if the Increase Requirement is satisfied and Bidder becomes obliged to provide the Additional Cash Consideration.

4.6 Leverage of the Merged Group

If the Increase Requirement is satisfied, section 8.6(j) of the Original Bidder's Statement will be taken to be amended by deleting the reference to '\$3,042 million' and replacing it with '\$3,066 million'.

4.7 No material impact on pro-forma financial information

If the Increase Requirement is satisfied, TABCORP and Bidder are of the view that the consequent increase in the cash component of the Offer consideration will not have a material impact on the pro-forma financial information contained in sections 5.2, 5.3 and 5.5 of the Original Bidder's Statement.

Notwithstanding the above, it should be noted that, having regard to the information currently available to TABCORP and Bidder, the capitalised redundancy costs of \$14.1 million identified in sections 5.2(a)(vi) and 5.5(b)(i) of the Original Bidder's Statement may instead be partially or fully expensed and included as part of the non-recurring items in the Merged Group's financial statements. TABCORP and Bidder are of the view, however, that such an approach would not have a material net impact on the pro-forma financial information contained in sections 5.2, 5.3 and 5.5 of the Original Bidder's Statement.

5. Letters from NSW Racing Minister

5.1 Nomination of Bidder as Nominated Company

The NSW Racing Minister, in a letter to TABCORP and Bidder dated 18 May 2004 (**Nomination Letter**), has confirmed that, if Bidder receives acceptances under the Offer for more than 50% of the Tab Shares, he will, upon the Totalizator Amendment Act being proclaimed and commencing operation, promptly nominate Bidder as the Nominated Company for the purposes of section 37A of

the Privatisation Act (as amended by the Totalizator Amendment Act) and therefore for the purposes of the Totalizator Act (as amended by the Totalizator Amendment Act).

As a consequence, the conditions in sections 10.7(b)(i) and (ii) of the Original Bidder's Statement are expected to be fulfilled, and Bidder is expected to become the Nominated Company, if Bidder receives acceptances under the Offer for more than 50% of the Tab Shares.

As a consequence of the matters set out in the Nomination Letter, the references in the Original Bidder's Statement (on pages 2, 8, 18, 120 and 125) to the general conditions that will need to be satisfied in order for a company to become the Nominated Company should be read in light of the disclosure in this section 5.1.

5.2 Arrangements with NSW Racing

As disclosed in the First Supplementary Bidder's Statement, on 23 April 2004 TABCORP and NSW Racing entered into an amendment deed (**Amendment Deed**) under which certain amendments were made to the Racing Heads of Agreement. The material terms of the Amendment Deed are discussed in section 6 of the First Supplementary Bidder's Statement, and the other material terms of the Racing Heads of Agreement are discussed in section 9.7 of the Original Bidder's Statement.

Pursuant to the Amendment Deed, TABCORP and NSW Racing have agreed to use their best endeavours to enter into, by 23 June 2004, more formal arrangements (referred to as the New NSW Racing Arrangements in the Original Bidder's Statement) to give effect to the commercial terms agreed under the Racing Heads of Agreement (as amended by the Amendment Deed). As outlined in sections 8.6(n) and 9.6(a) of the Original Bidder's Statement, if Bidder becomes the Nominated Company it will become a condition of the Tab Totalizator Licences, pursuant to section 43A(1) of the Totalizator Act (as amended by the Totalizator Amendment Act), that the New NSW Racing Arrangements are put in place and given effect to.

Notwithstanding the timing agreed under the Amendment Deed, it is possible that Bidder might become the Nominated Company prior to the New NSW Racing Arrangements being entered into by TABCORP and NSW Racing. If that occurred, the NSW Racing Minister would be permitted to take action against Tab for a breach of the licence condition imposed by section 43A(1) of the Totalizator Act (as amended by the Totalizator Amendment Act).

In addition, as discussed in sections 8.6(n) and 9.7(a)(ix) of the Original Bidder's Statement, in those circumstances NSW Racing might become entitled to terminate the Racing Distribution Agreement with Tab (referred to as the Current NSW Racing Arrangements in the Original Bidder's Statement), if Tab were de-listed from ASX. If that occurred, the NSW Racing Minister would also be permitted to take action against Tab for a breach of the licence condition imposed by section 43(2) of the Totalizator Act, which currently requires Tab to give effect to the Racing Distribution Agreement.

However, the NSW Racing Minister has provided a 'comfort letter' dated 18 May 2004 to TABCORP and Tab (**Comfort Letter**) pursuant to which the NSW Racing Minister has indicated that it would not be his intention to take any action against Tab in the event that the licence conditions under section 43(2) or 43A(1) of the Totalizator Act (as amended by the Totalizator Amendment Act) are breached, provided that the New NSW Racing Arrangements are entered into within a reasonable time after Bidder becomes the Nominated Company.

On the basis of the matters agreed with NSW Racing under the Racing Heads of Agreement (as amended by the Amendment Deed), TABCORP is confident that the New NSW Racing Arrangements will be entered into within a reasonable time after Bidder becomes the Nominated

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084)

Second Supplementary Bidder's Statement

Company (if not before). Accordingly, and given the NSW Racing Minister's stated intentions in the Comfort Letter, on 19 May 2004 Bidder declared the Offer free from the defeating condition to the Offer in section 10.7(b)(iii) of the Original Bidder's Statement relating to the entry into the New NSW Racing Arrangements.

As a consequence of the matters set out above, the references in the Original Bidder's Statement (in the Letter from the Chairman of TABCORP on page 1, as well as on pages 2, 8, 18, 110, 115 and 121) to the requirement for entry into the New NSW Racing Arrangements should be read in light of the disclosure in this section 5.2.

6. Agreement with the State of New South Wales

TABCORP, Bidder and the NSW Racing Minister (for and on behalf of the State of New South Wales) executed an agreement on 18 May 2004 (**Agreement**). The material terms of the Agreement, which will apply if Bidder becomes the registered holder of at least 50% of the Tab Shares, are summarised below.

(a) Amendments to TABCORP's Constitution

TABCORP has agreed to use its best endeavours, by proposing to its shareholders the necessary resolutions at its next annual general meeting and taking other necessary steps, to procure the amendment of its constitution to include provisions which deal with the following matters:

- A prohibition on a person's voting power in TABCORP exceeding the limit of 10% (or such other limit prescribed by the Totalizator Act and/or the Privatisation Act), as the Totalizator Act (as amended by the Totalizator Amendment Act) will make it a condition of the Tab Totalizator Licences that no person has a prohibited shareholding interest in TABCORP (see section 9.6(a) of the Original Bidder's Statement).
- The power for TABCORP to require a shareholder to provide additional information where it is suspected a person's voting power exceeds the prescribed limit referred to above.
- The power for the TABCORP Board to suspend the dividend and voting rights attached to TABCORP Shares where the relevant shareholder does not provide the required additional information.
- A process for the compulsory disposal of TABCORP Shares where a person's voting power exceeds the prescribed limit referred to above.
- The power for the TABCORP Board to enforce the disposal of TABCORP Shares where the continued ownership of those shares by a particular person may prejudice the ability of the Merged Group to continue to hold licences under the Totalizator Act and/or the Privatisation Act.

TABCORP's constitution already contains similar provisions to those referred to above having regard to the requirements of the Gaming and Betting Act and the requirements of the NSW Casino Control Authority (in relation to the TABCORP Group's ownership of Star City Casino) and the Queensland government (in relation to the TABCORP Group's ownership of the Jupiters Group and its associated casinos). Details of the existing shareholding restrictions applicable to TABCORP, and the similar provisions presently contained in TABCORP's constitution, are set out in sections 1.5(c) and (d) of the Original Bidder's Statement.

(b) Divestment of Tab Gaming Division

Under the Agreement, TABCORP has acknowledged that the State of New South Wales will require that Tab divest the Tab Gaming Division to a person who is not a related body corporate of TABCORP or Tab and who is approved by the NSW Racing Minister, within 18 months after the end of the Offer Period. This requirement is discussed in further detail in section 4.3(c) of the Original Bidder's Statement. TABCORP has also confirmed that, pending the divestment, it is prepared to procure that the Tab Gaming Division is transferred to a separate subsidiary of Tab, if required by the NSW Racing Minister and if TABCORP is legally entitled to do so, for the purposes of ensuring the confidentiality of, and restricting the use of, information obtained from the Tab Gaming Division.

7. Execution of Loan Facility Agreement

The Loan Facility Agreement, being the formal agreement relating to the Loan Facility to be used by Bidder to settle acceptances under the Offer, was executed by the Banks, Bidder and other TABCORP Group members on 14 May 2004. The material terms of the Loan Facility Agreement, as executed, are the same as those described in section 6.5 of the Original Bidder's Statement.

As a consequence of the execution of the Loan Facility Agreement, the defeating condition in section 10.7(j)(i) of the Original Bidder's Statement was fulfilled and Bidder gave notice of that fulfilment on 17 May 2004.

On 19 May 2004, Bidder declared the Offer free from the defeating condition to the Offer in section 10.7(j)(ii) of the Original Bidder's Statement. Bidder did so on the basis that the majority of the conditions precedent to the availability of funds under the Loan Facility Agreement have been satisfied and, in relation to the remainder of those conditions precedent that are not within the sole control of the TABCORP Group, TABCORP and Bidder are confident that they will be satisfied prior to Bidder being required to draw down funds under the Loan Facility Agreement and settle acceptances under the Offer.

Although the absence of the occurrence of any event of default under the Loan Facility Agreement, and the continued truth of certain representations made by TABCORP and Bidder under the Loan Facility Agreement, remain as conditions precedent to Bidder's ability to draw down funds under the Loan Facility Agreement, in most instances the satisfaction of those conditions precedent is (and will be) within the control of the TABCORP Group. To the extent that events outside the control of the TABCORP Group could result in those conditions precedent not being satisfied, TABCORP and Bidder believe that the likelihood of those events occurring, or having the requisite material adverse effect, is very low.

As a result, TABCORP and Bidder believe that the risk referred to in section 8.6(l) of the Original Bidder's Statement is unlikely to eventuate.

8. Waiver of Conditions

On 19 May 2004, Bidder declared the Offer free of certain of the defeating conditions to the Offer, namely:

- the condition in section 10.7(b)(iii) of the Original Bidder's Statement (arrangements with NSW Racing);

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084)

Second Supplementary Bidder's Statement

- the conditions in sections 10.7(c)(i) and (ii) of the Original Bidder's Statement (ACCC);
- the condition in section 10.7(d) of the Original Bidder's Statement (other Regulatory Approvals);
- the condition in section 10.7(e) of the Original Bidder's Statement (no regulatory actions); and
- the condition in section 10.7(j)(ii) of the Original Bidder's Statement (financing condition).

Further details of the basis for Bidder freeing the Offer from the condition in section 10.7(b)(iii) of the Original Bidder's Statement are set out in section 5.2 above. Further details of the basis for Bidder freeing the Offer from the condition in section 10.7(j)(ii) of the Original Bidder's Statement are set out in section 7 above.

In relation to the other conditions, Bidder is satisfied that all necessary Regulatory Approvals in connection with the Offer have been or will on a timely basis be obtained, and that no action by a Regulatory Authority (including the ACCC) is likely in connection with the Offer.

9. Other

9.1 Lodgment with ASIC

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 3 June 2004. This Second Supplementary Bidder's Statement will prevail to the extent of any inconsistency with the Original Bidder's Statement or the First Supplementary Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

9.2 Authorisation

This Second Supplementary Bidder's Statement has been approved by a unanimous resolution passed by the directors of Bidder.

9.3 Consents

This Second Supplementary Bidder's Statement contains statements made by, or statements based on statements made by, TABCORP. TABCORP has consented to being named in this Second Supplementary Bidder's Statement and has consented to the inclusion of:

- each statement it has made; and
- each statement which is said in this Second Supplementary Bidder's Statement to be based on a statement it has made,

in the form and context in which the statements have been included, and has not withdrawn that consent.

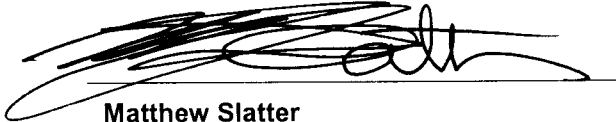
In addition, this Second Supplementary Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX by Tab (in particular, the joint announcement by Tab and TABCORP to ASX on 27 May 2004) (see sections 2 and 3). Under the terms of ASIC Class Order 01/1543, neither Tab nor the Tab Board is required to consent to, and neither of them has consented to, the inclusion of those statements, or of statements based on those statements, in this Second Supplementary Bidder's Statement. As required by Class Order 01/1543, Bidder will provide a copy of those documents (or relevant extracts) free of charge to Tab Shareholders who request it during the Bid Period. To obtain a copy of these documents (or the

TABCORP Investments No.4 Pty Ltd (ABN 74 108 197 084)
Second Supplementary Bidder's Statement

relevant extracts), Tab Shareholders may telephone the TABCORP Offer information line on 1800 010 202 (toll-free within Australia) or on +61 2 9240 7442 (from outside Australia).

Dated 3 June 2004

Signed for and on behalf of **TABCORP Investments No.4 Pty Ltd** by:

A handwritten signature in black ink, appearing to read 'Matthew Slatter', is written over a horizontal line.

Matthew Slatter

Director