

ECHO ENTERTAINMENT GROUP

ECHO ENTERTAINMENT GROUP LIMITED
ABN 85 149 629 023

ANNUAL GENERAL MEETING
THURSDAY 10 NOVEMBER 2011 (10.00am, Sydney)

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

CHAIRMAN'S ADDRESS

This morning I will take a brief look back at the 2011 financial year, including execution of the demerger from Tabcorp Holdings Limited, financial highlights and investment program progress. I will then spend some time on our customer and community focus, including our responsible gambling objectives, against the context of the proposed government gaming machine intervention.

I will then hand over to the company's Managing Director and Chief Executive Officer, Larry Mullin, who will give an overview of the transformation of The Star and an update on the company's current trading.

The emergence of Echo Entertainment

The 2011 financial year saw the emergence of Echo Entertainment following the demerger of the casinos businesses from Tabcorp Holdings Limited.

It has been an encouraging start, with a solid first year financial result and good progress on investment programs in both states.

However, before we look to the future, I would like to briefly recount the steps that brought us to this milestone.

In October 2010, the Tabcorp Board announced that it would pursue a demerger of its casinos business from its wagering, gaming and keno businesses. This corporate transformation dominated the 2011 financial year.

Tabcorp shareholders approved the demerger on 1 June 2011, creating two attractive ASX-listed companies.

The successful demerger recognised that the two businesses were increasingly divergent in their priorities, strategies and investment profiles.

I am confident that the future strategic opportunities before each business, pursued independently and led by experienced management, will deliver greater value to shareholders.

Echo Entertainment is now the ASX listed parent of four of Australia's premier casino and entertainment destinations – The Star in Sydney, Jupiters Gold Coast, Treasury Brisbane and Jupiters Townsville. The focussed strategy and direction of the company rests on four pillars:

- delivering memorable experiences to our customers, based on superior service levels and great entertainment;
- attracting and rewarding customers with a leading direct marketing and loyalty program;
- growing the international premium business to critical mass; and
- delivering on the investment program that will see our casino properties develop into international entertainment destinations.

These objectives are underpinned by the \$870 million expansion of The Star and the proposed \$625 million expansion of our Queensland casinos. Driven by this program, a sound debt structure and experienced executive management, the demerged Echo Entertainment business is well positioned.

Encouraging financial performance

Echo Entertainment's first stand alone full year result for the 2011 financial year represents an encouraging outcome, with revenue growth in both states despite challenging conditions throughout the year.

EBITDA was up 28% to \$446 million. This outcome reflected an expanded VIP business with win rates well above theoretical and historical levels. Normalised EBITDA, which assumes win rates at historic levels, was up 7% (excluding The Star pre-opening expenses).

Growth in all properties and business segments highlights the overall strength of the business and growing operational momentum, and this offset the impact of natural disasters in Queensland and construction works at The Star.

Echo Entertainment intends to target a dividend payout ratio of 50% of normalised net profit after tax, commencing from the 2012 financial year. This payout ratio is consistent with the capital intensity of casinos and investment in growth projects. For the 2011 financial year, the earnings per share of 32.8 cents were largely generated pre-demerger and therefore were distributed through Tabcorp Holdings Limited.

Launching The Star

The ongoing redevelopment of The Star has seen the realisation of one of the most significant investments in tourism and entertainment infrastructure in the country.

An \$870 million investment in the property, combined with gaming changes approved by the New South Wales government, has resulted in the transformation of the property from a tired, "gaming hall" to a world class entertainment destination.

The gaming changes provided a strong base for investment, enabling a 60% expansion to the Main Gaming Floor.

However, it should be noted that more than 75% of the overall commitment is in the non-gaming elements of the business, including the construction of a new hotel, opened just two weeks ago, a new casino entrance, four signature restaurants, café court, retail precinct and more.

The renovation and expansion of The Star will lead to the creation of approximately 650 new roles in the first half of the 2012 financial year, making The Star one of the largest private employers in the state. On top of these permanent positions, the

redevelopment of The Star has created some 750 constructions jobs since building began in November 2008.

The workplace safety record during construction has been remarkable given the project's high level of risk and complexity. Throughout the main period of construction the workforce experienced 24 Lost Time Injuries. That is about half the industry average and none of the injuries was of a serious nature.

International VIP Business

As highlighted earlier, we are also starting to see the benefit of investment in our international VIP business, including the addition of two private jets, the second of which is expected to commence operation this month. These jets will enable direct transportation of VIP customers from Asian markets, including destinations such as Beijing, to Sydney.

Investment in premium gaming areas and high quality accommodation and restaurants will ensure we remain attractive to international guests.

Queensland

Our two Jupiters branded casinos share an enviable coastal atmosphere and we are drawing new visitors to our properties by hosting some of the most recognisable international performers in luxurious poolside settings.

In Brisbane, we have recently opened the Sovereign Room, a private gaming area, which accentuates the beauty and luxury of the heritage building and allows us to offer a premium experience for our VIP customers.

With The Star transformation on track, on budget, and starting to deliver, we turn to focussing that development investment expertise to Queensland. An announcement was made in December 2010 by the Premier, Anna Bligh, that the Queensland government had provided in principle support to a range of gaming changes to support an investment of \$625 million in the Queensland casino properties.

By early last month we had received approval from the Queensland government for the bulk of the gaming changes, providing confidence to move forward on the investment program.

Those changes include an additional 50 table game licences for use in the South East Queensland properties from 1 July 2012. As well, an additional 500 electronic gaming machines are approved for use in connection with a commitment to implement a voluntary pre-commitment system across our Queensland casinos.

The company is continuing to work with the Queensland government to obtain all remaining approvals for the gaming changes and to implement the voluntary pre-commitment technology as soon as possible.

The package of gaming changes sought supports the investment in the casino properties to transform them into ultimate, internationally competitive entertainment destinations, providing a major boost for Queensland tourism and entertainment.

Work is already well underway in a number of areas, particularly the \$20 million redevelopment of the Jupiters Gold Coast Theatre where construction has commenced.

In relation to Treasury Brisbane, particular care has been taken to appoint specialist heritage architects and consultants. We are seeking their expertise in relation to potential designs for the proposed 5-star hotel, which will complement the heritage precinct of the hotel and casino complex. I look forward to presenting the plans in more detail next year.

It is important to note that the decision to invest significantly in Queensland is based on confidence in the growth and suitability of the Queensland market. With one of the strongest population growth rates in Australia and with the Gold Coast expected to remain at above the Australian national average in population growth, Queensland makes sense.

Add to that Queensland's continuing position as a leading tourist destination in Australia and we are confident that combined with the project management and implementation expertise generated by The Star expansion, we will be able to mitigate the inevitable risks associated with the Queensland expansion.

It is clear, considering the scale of investment, both underway and proposed, and the economic outlook in both Queensland and New South Wales, that Echo Entertainment is in the midst of substantial transformation.

Market risk

The positive outlook that I have just outlined is not without risk, in particular from the continuing economic slow-down experienced globally.

Just as significant a risk is that posed by the unprecedented intervention in gaming regulation proposed by the federal government. In accordance with Australia's existing constitutional arrangements, this has to date been exclusively the domain of state governments.

In May this year, a Federal Parliamentary Committee, chaired by Independent MP Andrew Wilkie, recommended the implementation of mandatory pre-commitment on existing gaming machines, or the provision of "low intensity" machines offering a \$1 maximum bet and restricted maximum prizes. These are unproven and untargeted proposals, which are at risk of adversely impacting the casino and tourism industry without the desired improvement in the occurrence of problem gambling.

The introduction of a mandatory pre-commitment system across all gaming machines is an undertaking that has not been attempted in any Australian jurisdiction. It is technologically complex and challenging, and beyond the capacity and resources of the majority of the participants within the industry. The proposed intervention represents a very significant intrusion and interference with respect to the enjoyment by Australian citizens of their leisure time and creates an unattractive option in the eyes of visiting international tourists.

In addition, pre-commitment, implemented as a mandatory system for all electronic gaming machines, will have a substantial impact on the casino industry at a time when the industry is investing upwards of \$4 billion in creating and constructing new tourism infrastructure.

We recognise the significance and the consequences of problem gambling. Mandatory pre-commitment, however, is a blunt instrument. It would be optimistic in the extreme to believe that it represents the ultimate 'silver bullet' to address the issues of problem gambling, particularly with the plethora of gambling opportunities available within our society. Rather, voluntary pre-commitment, should be seen as one tool, amongst many, which are available to assist gamblers to make informed choices.

Echo Entertainment has been consistently recognised globally (as part of the Tabcorp Group), by the respected Dow Jones Index as a leader in Responsible Gambling. We are committed to our responsible gambling policies, codes and practices, many of which have been developed collectively in conjunction with the community, government and industry and which are based on relevant research, assessments and trials to establish effectiveness.

We have undertaken to introduce a voluntary pre-commitment system within our Queensland casinos as part of this comprehensive range of measures, which rely on education, identification and management.

We, and other members of the casino industry, are in discussions with the federal government in an endeavour to arrive at a more effective solution than mandatory pre-commitment. We will continue to pursue those discussions on a constructive and pro-active basis.

Community

Echo Entertainment's four casino properties continued to operate a range of community programs during the 2011 financial year, driven by the commitment to growing and developing the communities in which our businesses operate and our employees live and work.

As I have previously mentioned, those communities were seriously impacted by natural disaster in early 2011. As part of the Tabcorp group, \$1 million was donated to the Queensland Premier's Disaster Relief Appeal on behalf of the Queensland casinos. Further fundraising efforts at each of the Queensland properties raised an additional \$150,000 for the flood appeal.

Two of our properties were directly impacted by these disasters with Treasury Brisbane situated on the edge of the Brisbane river and Jupiters Townsville in the path of Cyclone Yasi. Both properties needed to implement crisis management strategies and I was pleased to see that team members rallied to assist both our own businesses and local communities.

Our casinos make a significant tax contribution to the New South Wales and Queensland governments and respective local economies.

These funds help deliver many community facilities and services and are additional to the community programs that Echo Entertainment separately pursues. During the 2011 financial year, significant support was provided to local charities, sporting organisations and community groups. These groups include:

- The Variety Children's Charity and Australian Cancer Council.
- The Jupiters Summer Surf Girl program, which has been supported by Jupiters Gold Coast as major sponsor for 17 years.

- The Queensland Cerebral Palsy League, which has had an 8 year relationship with Treasury Brisbane.
- The North Queensland Cowboys and the Townsville Crocodiles.

Treasury Brisbane also supports the National Trust of Queensland with an annual sponsorship.

An award winning program in place at Jupiters Gold Coast and Treasury Brisbane is Open Your Hearts. Team members are invited to request funding or in-kind support for the sporting, charity or community group they are personally involved in. The organisations assisted are as varied as our staff and in the 2011 financial year over 168 community groups received support.

Conclusion

Turning to the board, I would like to acknowledge Brett Paton and John O'Neill who join me as Non-Executive Directors, all of us transitioning from the Tabcorp Holdings Limited Board as a result of the demerger. As announced on 29 September, Brett, John and I look forward to being joined by two additional non-executive directors, John Redmond and Anne Brennan, pending final regulatory approvals being obtained.

An experienced Board, combined with strong leadership in the Chief Executive Officer and Managing Director, Larry Mullin and CFO and Executive Director, Matt Bekier, and the balance of the executive management team, will effectively guide Echo Entertainment through the next 12 months and beyond.

Thank to you my fellow Board members, the leadership team and the staff of Echo Entertainment for their efforts, dedication and energy during the year. To all of our shareholders, I thank you for your support.

I would now like to ask Larry Mullin to address the meeting before I return to advise the formalities for the rest of the meeting.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S UPDATE

(Refer to 2011 Annual General Meeting Presentation - slide 15 onwards)