



19 November 2008

TATTS GROUP LIMITED'S 2008 ANNUAL GENERAL MEETING

Chairman's and Chief Executive's Presentations

Attached are copies of the Chairman's and Chief Executive's Addresses to be presented at the Tatts Group Limited's 2008 Annual General Meeting, commencing at 2.00pm, Wednesday 19 November, 2008.

A copy of the slide presentation which accompanies these Addresses will follow.

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TATTS GROUP LIMITED
ABN 19 108 686 040
ANNUAL GENERAL MEETING
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**CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR AND CHIEF
EXECUTIVE'S ADDRESS**

CHAIRMAN'S ADDRESS

Good afternoon Ladies and Gentlemen, my name is Harry Boon, and I am Chairman of Tatts Group Limited.

I welcome you to our fourth Annual General Meeting. As it is past the appointed time and a quorum is present, I now declare open this meeting of members of Tatts Group Limited. I also welcome those watching or listening on-line, and to everyone present here with us today, I say welcome back to Moonee Valley, the home of the Tatts Cox Plate.

Before we proceed, could I ask everyone in the room to please turn off their mobile phones?

I would now like to introduce the members of the Board and some executive management of Tatts Group Limited. From the far left of the stage are:

- Mr Kevin Seymour
- Ms Lyndsey Cattermole
- Mr Julien Playoust
- Mr Robert Bentley
- Mr Brian Jamieson
- General Counsel and Company Secretary, Ms Penny Grau
- Chief Financial Officer, Mr Ray Gunston, and
- Managing Director and Chief Executive, Mr Dick McIlwain

There has been one change to the Board since last year's AGM, with the retirement of George Chapman at the end of August this year. George was Chairman of UNiTAB prior to the merger with Tatts in October 2006, and served on the merged Board until his retirement. I would like to publicly acknowledge George's contribution to UNiTAB and then the Tatts Group. He was a hardworking director of great integrity who had a strong commitment to creating shareholder value and an unquestionable affinity with shareholders' interests. On behalf of the Board, and indeed all shareholders, I thank George for his valuable contribution and wish him well in his post-retirement activities.

Also present today we have Con Grapsas and Anton Linschoten representing our auditors PriceWaterhouseCoopers, and some of Tatts Group's senior managers who will be available to chat with shareholders after the meeting.

The Notice of Meeting and the Annual Report were sent to shareholders and the ASX on 17 October and, if there are no objections, I will take the Notice as being read.

Year in Review

Standing before you last year I commented that much had happened since our listing in 2005, and that the 2006/2007 year had been a company changing year. Clearly, the changes did not stop there.

The 2007/2008 year redefined all previous concepts of what the term "a difficult year" truly means. During the year, we experienced a number of unforeseen events:

- firstly, the dramatic impact of equine influenza that curtailed racing in New South Wales and Queensland at the busiest time of the year,
- next, a series of decisions by the Victorian Government impacted the business:
 - The decision not to renew our gaming machine licence beyond 2012
 - As a direct consequence, we made a non-cash write-off of the remaining \$776 million book value of our gaming licence and associated brand.
 - the implementation of a split of operators in the Victorian lottery market,
 - the increase in health benefit levy tax on gaming machines by \$18 million p.a.,
 - the forced removal of over 280 of our gaming machines from high-yield venues,

- a number of new Government restrictions on the operation of gaming machines in Victoria, and
- in the UK, smoking bans, changes to gaming machine play rules and a collapse in consumer confidence.

The strong financial results we achieved despite all these factors again show the benefits of the business diversification strategy we have implemented in recent years. This diversification strategy has helped us to weather the storms throughout the year, and again demonstrate the resilience of our business model. Importantly for shareholders, the strong business performance allowed us to maintain our high dividend payout ratio, and to increase dividends paid to 20 cents per share, up 11% on the previous year.

Exactly what we mean by “strong financial results” is highlighted by the following facts:

- Group revenue reached over \$3 billion, up 28% on the previous year.
- EBIT, that is earnings before interest and tax of \$415 million was almost 29% above the previous year.
- More than a quarter of the Group’s EBIT came from the UNiTAB Wagering business, with Tatts Pokies contributing some 43%. Following the successful integration of Golden Casket, 20% of EBIT now comes from the Tatts Lotteries business.
- Net profit after tax increased by more than 11% to \$257 million – this is **more than double** the level of reported NPAT in 2006.

In addition to these strong financial results, we had some other major achievements during the year:

- We successfully integrated the lottery businesses of Golden Casket and Tattersall’s to form the Tatts Lotteries business,
- We secured the major lottery licence in Victoria,
- We moved to 100% ownership of Talarius in the UK, and returned the business to positive EBIT for the second half of the year.
- And, we arranged more than \$1 billion in re-financing during a period of uncertain economic conditions.

Turning now to each of the major business units:

Gaming operations

The highest profile event that occurred during the year, and the one that had the most profound impact on our share price, was the Victorian Government announcement on 10 April the Tatts and Tabcorp duopoly on gaming machines outside the casino would be terminated from 2012. From that time, individual venues will need to bid for licences, and will become the owners and operators of gaming machines. Whilst we recognise the Government's right to make this decision, it is nevertheless a most disappointing outcome for Tatts and our shareholders.

Perhaps even more surprising and disappointing, were the comments made by the Victoria Government of their view that no compensation is payable for the loss of this licence. The obligation to pay compensation is contained in the Gambling Regulation Act and a contract made between the Victorian Government and Tatts back in 1995 - some 13 years ago. It has since been frequently acknowledged in Treasury Papers and other government statements. Needless to say, we will vigorously pursue the compensation which we believe will become due to the company in the interests of you the shareholders.

Meanwhile, we still have over three and a half years to run the Tatts Pokies business in Victoria. Our focus has quickly shifted to optimising profitability during the remaining time, without reducing the attractiveness of our offering to players. We have retained critical staff, and reduced operating and capital expenditure. Importantly, with the large amount saved through not needing to pay for a new licence after 2012, we can utilise the company's financial resources to pursue other opportunities as they arise in the years ahead.

Wagering

The UNiTAB Wagering business, which operates TABs in Queensland, South Australia, and the Northern Territory, contributed over a quarter of the Group's EBIT last year. UNiTAB successfully overcame its own serious disruption following the outbreak of equine influenza in NSW and Queensland during the peak Spring racing period. Fortunately, EI has proven to be a temporary disruption only, and, as Dick McIlwain will indicate shortly, we are pleased to say that wagering figures have returned to their previous trend in more recent months.

In Victoria, the monopoly wagering licence held by Tabcorp expires in 2012. The Victoria Government recently released some details of the future Victorian licence, and announced the proposed future taxation regime. Expressions of interest are due to be lodged in mid January 2009. We are currently working through the published information and recent market developments to determine what position will be in the best interests of our business and shareholders. We have not yet made any decision whether or not to register interest, and shareholders should rest assured that any position we may take will be based on sound commercial criteria.

Lotteries

Lotteries provided 20% of Group EBIT last year. The Victorian Government saw fit to split the lottery licence from July 2008, with Tatts winning a licence for around 85% of our previous lottery product sales. Whilst this has certainly resulted in some reduction in our Victorian lottery sales, our lottery sales have NOT declined by the expected 15%. The benefits from combining the Golden Casket and Tattersall's lottery operations, the winning of a new exclusive licence for Monday and Wednesday Lotto, and the extension of the superior Golden Casket instant Scratch-It products into Tasmania and the Northern Territory have helped protect the profitability of Tatts Lotteries so far this year.

Lotteries are highly regulated businesses, with separate State regulation of the games, the tax regime, the prizes and the operator margins. For these reasons, lotteries lend themselves to efficiencies through consolidation. Clearly, Tatts Group, which already holds lottery licences in Queensland, Victoria, Tasmania, the Northern Territory and the Australian Capital Territory, is well placed to participate in further developments, such as the recently announced intention to privatise the New South Wales Lottery. The model adopted by the Queensland Government for the Golden Casket privatisation has been a resounding success for all parties, and is a clear demonstration of Tatts' capabilities as Australia's largest lottery operator.

Maxgaming and Bytecraft

Maxgaming is the leading gaming machine monitoring company in Australia, with an exclusive monitoring licence in New South Wales, and a strong market position in the competitive Queensland market. We are well progressed in our development of a single system to handle different operating protocols in Queensland and NSW. This will provide

ongoing operational efficiencies and improved capabilities. Importantly, the investment will further strengthen the competitive position of Maxgaming in considering any machine monitoring opportunities that arise in the Victorian gaming industry beyond 2012. Likewise, Bytecraft, which is a major service and maintenance provider for gaming machines and other transactional equipment, has also invested in upgraded service management systems that will greatly enhance its capacity to actively pursue further business opportunities.

International

In January this year, we moved to 100% ownership of Talarius, a company operating high street gaming venues throughout the United Kingdom, mainly under the Quicksilver brand name. Talarius has had a difficult year, facing simultaneous smoking bans, regulatory change, and a worsening UK economy. In spite of these external factors, we were able to improve from a first half loss from the joint venture to positive EBIT of \$2.6M for the second half of the year. We continue to believe in the long-term prospects for this business, and are investing in venue upgrades and sensible bolt on acquisitions to bolster our market share. We expect to see improving results as and when the UK economy begins its recovery. Meanwhile, our South African operations continue to perform well as they roll out more gaming machines, and we are actively pursuing further gaming licence opportunities as they become available.

Share Price

Although movements in share price are outside the operational control of management, and I would not normally discuss share price in detail, I do think the events of this year require some reflection. As demonstrated in this graph, the Tatts Group share price declined almost 27% on the first day immediately following the Victoria Government's announcement on the future of the gaming licence after 2012.

Whilst of little comfort to shareholders who acquired shares prior to that day, 10 April 2008, including myself and all the Tatts directors, the second graph shows that our share price has held steady since then during a period when the ASX100 Index has fallen by more than 25%.

Clearly, the current share price appears to fully reflect the future loss of the Tatts Pokies business.

Financial Management

In this current uncertain economic environment, it is worthwhile restating the strong financial position of Tatts Group.

In June 2008, Tatts Group secured a \$1.1 billion debt facility, maturing in tranches over a one, three and five year period on favourable terms. Importantly, this facility was secured after the Victoria Government announcement of the future of the gaming industry. This says much about the strength of Tatts Group's balance sheet and our capacity to generate the free cash flow needed to service and repay debt.

Tatts currently has net debt of \$830 million, and significant head room in our existing debt facility and cash balances. Our conservative gearing reflects net debt to EBITDA of around 1.5 times, and interest cover of 8.5 times, all very good market indicators of the strength of our balance sheet and financial positioning.

Dividend Reinvestment Plan

Overall capital management is regularly reviewed by the Board, and all sources of capital are considered. Depending on capital needs at any point in time, a dividend reinvestment plan, or DRP would allow the company the flexibility to either issue new shares or purchase shares on market for participating shareholders. A DRP would also allow shareholders to top up their holdings without incurring any brokerage fees or commissions.

We promised last year that the Board would again review our position on a DRP, and I am pleased to announce today that your Board has resolved to introduce a DRP to be available for the participation of shareholders with the interim dividend in early 2009.

Corporate Social Responsibility

Your Directors recognise that the company's responsibility extends well beyond generating shareholder wealth. Concern for occupational health and safety, problem gambling, customer care, the regulatory framework that surrounds gambling licences, and continuous disclosure of material information, has now been joined by ongoing review of the company's carbon footprint.

Tatts Group has had a long standing commitment to the responsible delivery of our products. Whilst always recognising that it is governments and their regulatory agencies that make the rules, we have and continue to work actively and collaboratively with them to promote responsible gambling. The responsible delivery of our products is paramount to each business within the Tatts Group. Dick McIlwain will have more to say on this topic in his upcoming presentation shortly.

A more recent area of focus for Tatts Group is the environmental issue of global warming facing society in general. I am pleased to say that, in this respect, Tatts treads lightly on the planet. Moreover, the company has a long history of converting our products and services from paper to electronic systems. UNiTAB Wagering alone, serviced over 60% of its betting sales with electronically delivered racing information last year. Nonetheless, we are working to further reduce our footprint wherever possible, including the electronic distribution of information to our shareholders, customers and suppliers, and reducing the carbon outputs of our fleet of around 400 vehicles..

Despite last year's sudden \$18 million increase in the health levy tax we pay to the Victoria Government for gaming machines, Tatts contributed over \$9 million to various community causes throughout the jurisdictions in which we operate. Some worthy recipients of Tatts funding included the Baker Medical Research Institute, Very Special Kids, the Shrine of Remembrance, Brisbane's Royal Children's Hospital Foundation and the Mater Children's Hospital.

Future Opportunities

While 2007 was a company changing year, and 2008 a most difficult year, we now face an exciting period of evolution for Tatts Group.

With the cloud of uncertainty from the Victorian gaming licence removed, we have the scope, capacity and desire to seek out other opportunities. Clearly, we are interested in the New South Wales and any other any lottery privatisations on commercially sensible terms. We will look at the upcoming Keno licence in Victoria, will consider appropriate strategies for the Victorian wagering licence, and any other wagering opportunities within our scope. Maxgaming and Bytecraft will seek to expand in the post 2012 Victorian gaming machine monitoring and servicing markets.

But our growth opportunities reach beyond the obvious. Our core strength is not limited to gambling products or services, but resides in the collation, analysis and distribution of high transaction volume information via secure wide area networks. Whilst we cannot today say precisely what those opportunities may be, we will maintain a rational and measured approach in seeking out appropriate opportunities that fit within our core competencies and that are earnings accretive.

Acknowledgements

In closing, I would like to acknowledge the outstanding contributions of the entire management team and all employees of Tatts Group throughout the year. Their efforts in improving the business during an extremely challenging time have made us all proud of the continued strong profitability of the business. Thank you also to my fellow directors for their valuable guidance and contribution throughout the year. And of course, to you, our shareholders, as well as to our industry partners and customers, I say thank you for your support whilst we have been charting our way through the turbulent waters of the past year.

With that broad summary and outline of the business, it is my pleasure to now hand over to our Managing Director and Chief Executive, Mr Dick McIlwain, who will discuss the operations in more detail and present the latest outlook, after which I will return to conduct the formal business of today's meeting.

Thank you ladies and gentlemen.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S ADDRESS

It is not my intention to trawl endlessly over the results from the previous financial year. They are addressed in the material released with the annual results in August and the Annual Report.

Nobody could have conceived at the start of the 2008 financial year that we would:

- see our wagering business get a dose of horse flu at the height of the annual betting season;
- be told by the Victoria Government to remove over 280 gaming machines from high-value gaming venues;
- endure smoking bans, changes to machine play and a collapse in consumer confidence in the UK; and
- lose part of our Victorian lotteries business.

Our capacity to grow the business and lift both earnings per share and shareholder dividends from our business operations in these circumstances underscores the value of the Tatts Group business model. Tatts' mix of different gambling options in different economies seems to mean that somewhere, something will surprise. The flip side of this strategy is that we cannot expect that all parts of the business will produce superior results every year.

The end result for the 2008 financial year is that the business has performed well and the management and staff have looked beyond the setbacks encountered throughout the year to deliver increased profits from our businesses. None of us should underestimate the value of this focussed and determined commitment to the company's performance in circumstances where external factors do not allow the results of these endeavours to be reflected in the share price.

Rather than simply recount the achievements of last year, it might be best if I used my time today to give some insight into how the company has progressed into the 2009 financial year.

Put simply, we have enjoyed good trading conditions since July 1 for a number of reasons. Consequently, I will offer a short explanation of how each of the businesses units is performing so far this financial year:

Tatts Pokies

Flat revenues were always going to be the outcome in the first half at a time when this business is holding back machines to supply new venues in 2009, and is dealing with the void left when over 280 machines were removed in accordance with government directions in December.

Shareholders shouldn't take this to mean that Tatts Pokies will not produce higher profits in the current half. We have reduced costs, removed machines which do not produce sufficient revenue to cover the health benefit levy, cut capital expenditure and put in place the arrangements required to secure the staff we need to manage the business until 2012.

We have not cut Tatts Pokies' costs at the expense of creating a worthwhile experience for players. We will continue to invest in new games to keep the look and feel of the gaming floor fresh and interesting. Naturally, this commitment will decline as we close in on 2012.

Let me conclude this commentary on Tatts Pokies by drawing shareholders attention to the distribution of the revenue collected from gaming in Victoria. The shares are near enough to 20/30/50. Tatts gets the smallest share of around 20%, venues close to 30% and the government takes the lion's share of approximately 50% without assuming any of the commercial risk, or more than \$45M each month.

UNiTAB Wagering

The wagering business in Queensland, NT and South Australia has bounced back quickly from the damage done to racing by equine influenza. We have been able to re-engage with our customers, and they have rewarded us with record sales since racing resumed in full earlier this calendar year.

The first third of this financial year has produced some remarkable sales figures. They were up by over 15% at the end of October. This achievement is well beyond the potential of this business.

The two year growth rate is nearer 8%. This is more in line with the underlying long term growth rate. It tends to track increases in household disposable income.

Lotteries

The integration of the Golden Casket and Tattersall's lottery businesses was one of the features of the last financial year. It was completed without fuss, exceeded cost reduction targets and produced record sales. More importantly, the integration of the company's lotteries businesses has demonstrated that Tatts can deliver all of the elements needed to participate in the migration from public to private ownership of a substantial lottery operation without causing controversy.

The year ahead is different. The decision by the Victoria Government to split its lottery licences between two operators and deny us access to products which accounted for 15% of sales has reduced revenue for the first four months of the current financial year. Nevertheless, the benefits we have secured from combining the Golden Casket and Tattersall's lottery operations, the restoration and extension of the Victorian Wednesday

lotto game to a Monday and Wednesday draw, and the introduction of the superior Queensland instant lottery products into Tasmania and the Northern Territory has enabled us to protect this business from a decline in profitability.

Nevertheless, shareholders need to remember that the second half of last year benefitted from a remarkable run of jackpots. This brought jackpot chasers into play and delivered an extraordinary lift in sales late in the 2008 financial year. It is unlikely that we will experience this benefit in the second half of the current financial year.

Maxgaming and Bytecraft

Maxgaming also continues to trade well in Queensland, NSW and NT as a result of its ongoing commitment to the development of new services. In the last six months alone, Maxgaming has introduced:

- new technology for supporting stand alone play when communications to venues which offer wide area jackpots in NSW fail;
- the Simplay card based gaming system which allows players to set limits on the amount they wish to spend on machines in Queensland; and
- the innovative and appealing Maximise machine, game and jackpot acquisition plan in NSW.

The combination of the ongoing commitment by Maxgaming to the development of value adding services for gaming venues together with the Bytecraft machine maintenance capability places us well ahead of any other competitors for providing machine monitoring, maintenance and other value adding services to gaming venues in the Victorian gaming machine market after 2012.

International

The decision to buy out the former joint venture partner in the UK Talarius business saw us restructure the cost base and convert a first half loss of \$4M into a \$2.6M EBIT profit in the second half of FY2008. Progress by Talarius/Quicksilver since July indicates that the damage done in 2007 by a combination of smoking bans, changes to machine play

and a slump in consumer confidence throughout the UK has bottomed out, and that machine throughput is beginning to adopt a more normal profile.

Any recovery in the UK amusement and gaming machine market will produce a sharp acceleration in profits as a result of a tax regime that relies on a machine, rather than turnover, tax. Consequently, Talarius has taken the opportunity to acquire a further 14 sites at acquisition multiples well below those paid for the original business.

Meanwhile, the machine rollout continues in South Africa. Tatts' Carentan/Thuo business is not placing any significant demands on the company and is generating sufficient cash to support the organic growth it is achieving. It is noteworthy that this business performs extremely well when compared with its peers and is likely to secure licences beyond Western Cape and KZN within the next twelve months.

I would now like to turn to a few other matters including harm minimisation and the risk profile of the Tatts business model.

Harm Minimisation

Gaming machines generate an inordinate amount of comment within the broader community. The debate about the merits of gaming machines is biased against those who play them. Statistics are misused and exaggerated even after they are challenged. Shareholders who want to get another view of the value of gaming machines to players and the wider community should take the trouble to read an article by Richard Allsop in the September edition of the IPA Review.

Tatts Group continues to participate in harm minimisation activities while developing in-venue services - like Maxgaming's Simplay - as regulators shift their focus to new ways of controlling and restricting machine play. The company proudly maintains its record as a responsible provider of gambling services. We are in the business of offering services which players and punters can enjoy throughout their lives rather than sending them broke.

There is no point spending time canvassing the relevance of government responses to gambling activities. The idea that social behaviour can be changed by regulation in an increasingly open world is an unworldly ideal when it is already evident that unregulated entities can supply innovative, attractive and more timely gambling services from outside State boundaries through the World Wide Web or by telephone.

Business Model and Risk

Tatts operates as a distributed gambling services company with a relatively low level of reliance on single services and single economies. Its investment in its services is even and consistent. It does not expose shareholders to a high dependency on single sites and locations, or a lumpy investment profile. It also has long term licences covering all of its major businesses.

Ironically, the Victoria Government further de-risked the Tatts business model when it announced that Tatts Pokies will lose its gaming machine licence in 2012. Simultaneously, it created opportunities for UNiTAB Wagering, Maxgaming and Bytecraft to secure a share of the Victorian gambling market after 2012.

Nobody should assume we will bid for any of these opportunities. We will review each of them as they emerge, and respond to them and the potential sale of NSW Lotteries with sensible and commercial bids based on the operating, and technical capabilities we have developed over many years.

Final Remarks on Performance

The current half has begun well for Tatts and indications are that we will lift earnings per share for the half year. We are benefitting from quick and decisive action to cut costs in Tatts Pokies and Talarius. We have also benefitted from a poor previous corresponding period for wagering. The second half doesn't offer the same advantages, and is likely to grow more in line with longer term expectations for the Tatts businesses.

Thank you Dick

Questions on notice addressed by the Chairman

The Notice of Meeting sent to shareholders included an invitation for shareholders to send questions in advance of the meeting. I thank shareholders who took the time to respond. Many questions centred on the introduction of a Dividend Reinvestment Plan, our share price, the gaming licence changes, and our future direction, which I have already addressed. There were also questions concerning the Remuneration Report, which I will address in introducing that subject under Item 4 of today's business.

In addition to these questions, we are often asked whether we will hold an AGM in Queensland. With our strong business presence in Queensland through UNiTAB, Golden Casket, Maxgaming and Bytecraft, and with over 50% of registered shareholders based in Queensland, I am pleased to advise that the 2009 AGM of Tatts Group will be held in Brisbane.
