

# MEDIA RELEASE

## TATTS GROUP 2008 FULL YEAR RESULTS

### Overview

FY2008 was a year of significant achievements. The company:

- embraced Queensland's Golden Casket lottery business;
- overcame the disruption to its wagering business caused by an equine influenza epidemic;
- refinanced the company's debt with a syndicated multi currency facility
- won the tender for offering the mainstream lotto games for a further ten years in Victoria;
- took full control of Talarius in the UK;
- delivered better profit margins from its operations.

	<b>Reported 30 June 2008 A\$m</b>	<b>Adjusted Reported % on pcp <sup>1</sup></b>
<b>REVENUE</b>	<b>3094.2</b>	<b>28.3</b>
<b>EBITDA</b>	<b>515.8</b>	<b>31.5</b>
Share of Talarius Net Loss <sup>2</sup>	(4.1)	---
Discontinued Operations	1.7	(79.4)
Depreciation & Amortisation	(98.7)	14.8
<b>EBIT <sup>3</sup></b>	<b>414.7</b>	<b>28.9</b>
Interest <sup>2</sup>	(44.0)	---
<b>NPBT</b>	<b>370.6</b>	<b>12.2</b>
Tax	(112.1)	19.0
Tax - Discontinued Operations	(0.5)	(88.3)
Minority interest	(0.5)	11.9
<b>NPAT</b>	<b>257.6</b>	<b>11.4</b>
<b>Earnings per Share <sup>4</sup></b>	<b>20.4</b>	<b>(2.5)</b>
<b>Dividend per Share <sup>5</sup></b>	<b>20.0</b>	<b>11.1</b>

#### Notes:

1. For meaningful prior corresponding period (pcp) comparisons on a reported basis, the gains arising from the Trustee Commission Claim settlement of \$57.4 million have been excluded from the FY2007 figures.
2. Given the movement between profit to loss on some of these items, the % movements become meaningless and have not been included.
3. This figure nets intercompany amounts that have not been eliminated from the segment figures provided throughout this release.
4. The adjusted Reported Earnings Per Share (EPS) pcp figure was calculated using the weighted average number of shares on issue through the 2007 financial year of 1,107.294M. Reported EPS has been calculated using the actual number of shares on issue of 1,265.355M.
5. For pcp purposes the Dividend Per Share (DPS) figure excludes the Special Dividend of 4 cents per share paid on 5 October 2007.

## **Outlook**

All businesses are offering good prospects as we move into FY2009. This momentum is broadly spread with only Tatts Lotteries facing a different environment. Simultaneously, the attention directed toward the Group's cost of operations is likely to help improve margins further in FY2009.

The company has quickly responded to the announced changes to the Victorian gambling regime with a sharper focus on the profits available from Tatts Pokies and by creating a greater awareness within Victoria of the capabilities of Maxgaming, Bytecraft and UNiTAB Wagering. No other distributed gambling service provider offers the same mix of capabilities.

Meanwhile, the investment in the business continues to support an ongoing program of product development, service maintenance and more efficient infrastructure. The reduction in the capital expenditure on Tatts Pokies will see company-wide capex decline to around \$90M before taking into account the development of some hotel and club properties in Victoria. The hotel and club developments are unlikely to add more than \$10M to \$15M to the FY2009 capex. Depreciation and amortisation should broadly mirror the level of total capex spend.

The cost of funding the Group's relatively conservative balance sheet and capital expenditure programs has been carefully reset following the negotiation of a syndicated multi-currency debt facility comprising a mix of major banks operating in Australia and Europe. Financing costs will lift naturally as a result of the increased duration of the debt portfolio and the full year effect of the Talarius financing. They are expected to be in the vicinity of \$65M. The company remains confident that its balance sheet can support further business acquisitions.

Finally, the announcement by the Victoria Government in April 2008 has delivered the Group a more certain future. The Group has 99 year wagering licences in Queensland and South Australia, a 65 year licence to offer lotteries in Queensland, and has just commenced operating under the new 10 year Victorian lottery licence.

## **Dividend**

The Group will pay a special dividend of 10.5 cents on 3 October 2008 with a record date of 12 September 2008. This dividend together with the interim dividend paid on 4 April 2008 represents a 98.2% payout of 2008 profits, and reflects an 11.1% increase over the final and interim dividends paid in respect of 2007 profits.

The dividend is a special dividend, not a final dividend, as a result of the accounting treatment that accompanied the write down of the gaming licence and brand assets in the Parent Company accounts. This decision was announced to the ASX on 23 June 2008. This accounting treatment does not reflect any assessment by Tatts Group of its entitlement to compensation or other rights following on from the Victoria Government announcement.

A normal approach to dividends is expected to resume with the interim dividend in early 2009.

## 2008 Business Performance and 2009 Outlook



Wouldn't you rather be with friends?

	<b>30 June 2008</b>	<b>Reported</b>	<b>Pro-forma</b>
	<b>A\$m</b>	<b>% on pcp</b>	<b>% on pcp</b>
<b>REVENUE</b>	<b>1268.9</b>	<b>0.8</b>	<b>0.8</b>
Expenses	1042.8	1.8	1.9
<b>EBITDA</b>	<b>226.1</b>	<b>(3.8)</b>	<b>(4.1)</b>
Depreciation & Amortisation	30.9	(16.7)	(16.7)
<b>EBIT</b>	<b>195.2</b>	<b>(1.4)</b>	<b>(1.8)</b>

This business has been required to absorb a \$17.9M increase in a per machine tax levy and deal with the Victoria Government's decision to remove up to 40% of the machines from some of Tatts Pokies best venues in December 2007. The results for the previous year also included an extraordinary windfall of \$2.6M from secondhand machine sales. Consequently, the year on year performance relies mostly on the better management of controllable costs.

The FY2009 year is expected to produce improved profitability. Costs have been overhauled in response to the announcement by the Victoria Government in relation to the future licensing regime. A redundancy program and cuts to business development expenditure have been an important part of a program to re-shape Tatts Pokies' costs. Capital expenditure will also decline rapidly as we approach 2012, commencing with a \$25M reduction in FY2009.

Notwithstanding the decision to reduce costs and the level of investment in this business, there will be an ongoing commitment to new games and other player benefits. Our intention is to maintain revenue streams rather than shrink the business.



	<b>30 June 2008</b>	<b>Reported</b>	<b>Pro-forma</b>
	<b>A\$m</b>	<b>% on pcp</b>	<b>% on pcp</b>
<b>REVENUE</b>	<b>541.2</b>	<b>31.7</b>	<b>(0.4)</b>
Expenses <sup>1</sup>	410.5	33.1	0.5
<b>EBITDA</b> <sup>1</sup>	<b>130.7</b>	<b>27.5</b>	<b>(3.0)</b>
Depreciation & Amortisation	14.4	15.7	(10.5)
<b>EBIT</b> <sup>1</sup>	<b>116.3</b>	<b>29.1</b>	<b>(1.9)</b>

1. Wagering has been allocated increased technology and other expenses in FY2008, which if adjusted out, gives an EBIT close to the FY2007 figure on a pro-forma basis.

A wonderful year interrupted by a four month bout of influenza. The recovery in the second half reaffirmed that this is a business that can absorb adversity and bounce back. Sales growth of 6% in the second half produced an outcome where the 5% revenue shortfall at 31 December 2007 was largely recovered. EBIT would have

reached the previous year except for group-wide accounting changes designed to fully reflect the overhead costs consumed by all businesses.

The momentum we are carrying into FY2009 should guarantee a better result for the current half. With no equine influenza and the waning impact of smoking bans in South Australian hotels, FY2009 will have an easier base for its year on year comparisons.



	<b>30 June 2008</b>	<b>Reported</b>	<b>Pro-forma</b>
	<b>A\$m</b>	<b>% on pcp</b>	<b>% on pcp</b>
<b>REVENUE</b>	<b>1046.5</b>	<b>76.3</b>	<b>5.0</b>
Expenses	941.1	68.6	3.4
<b>EBITDA</b>	<b>105.4</b>	<b>198.7</b>	<b>22.6</b>
Depreciation & Amortisation	11.7	26.2	(36.9)
<b>EBIT</b>	<b>93.7</b>	<b>260.3</b>	<b>39.0</b>

The combination of Tattersall's Lotteries in Victoria, Tasmania, Northern Territory and ACT, and Golden Casket in Queensland, and a one-in-eleven year run of jackpots late in the 2008 financial year combined to deliver an outstanding result. The exceptional revenue result proves yet again how the integration of like businesses in the distributed gambling sector can deliver better commercial outcomes.

The FY2009 outlook is going to be clouded by the Victoria Government decision to fragment the lottery market, delays in approvals for new games, and tougher comparables in the second half. The loss of Scratchies and a number of minor Victoria-only games from July 2008 will have a greater impact on sales than profits. Our ability to plug these markets in Tasmania, NT and ACT with Golden Casket's instant lotteries will recover some of the sales. There is also the prospect that marketing costs may increase marginally in a more competitive environment in Victoria.



	<b>30 June 2008</b>	<b>Reported</b>	<b>Pro-forma</b>
	<b>A\$m</b>	<b>% on pcp</b>	<b>% on pcp</b>
<b>REVENUE</b>	<b>113.4</b>	<b>34.2</b>	<b>0.9</b>
Expenses	49.1	27.3	(3.9)
<b>EBITDA</b>	<b>64.3</b>	<b>39.9</b>	<b>4.9</b>
Depreciation & Amortisation	24.2	31.0	(1.3)
<b>EBIT</b>	<b>40.0</b>	<b>45.9</b>	<b>9.1</b>

Maxgaming's improved margins and market share continue to support the case for investing in this important gaming machine venue support business. The FY2008 result is outstanding considering the flow on impact from a significant downturn in NSW gaming turnover and reduced machine numbers in the NSW hotel and club networks.

The immediate future for Maxgaming continues to be solid. It is capable of refreshing its product range and developing and delivering more secure services. Its services

remain relevant because its capabilities stretch beyond the basic monitoring, jackpot and maintenance functions required by gaming venues.

FY2009 should be buoyed by a stabilisation of market conditions and the progressive roll-out of stand-alone play following NSW Government approval and a successful trial in July.



	30 June 2008 A\$m	Reported % on pcp	Pro-forma % on pcp
<b>REVENUE</b>	<b>74.3</b>	<b>21.3</b>	<b>22.7</b>
Expenses	66.2	23.3	23.3
<b>EBITDA</b>	<b>8.2</b>	<b>7.4</b>	<b>18.3</b>
Depreciation & Amortisation	1.8	18.9	18.9
<b>EBIT</b>	<b>6.4</b>	<b>4.6</b>	<b>18.2</b>

Bytecraft continues to perform strongly in the gambling segment where rigorous licensing requirements create a barrier to competition. The complementary strategy of mixing this strength with the maintenance of point-of-sale equipment for major retailers and fast food chains improves Bytecraft's presence and capacity to add scale.

In FY2008 around half of Bytecraft's revenue came from support services provided to Tatts Pokies, Tatts Lotteries and Maxgaming. This was up from 37% the previous year. Reduced margins charged by Bytecraft to members of the Group this year explain why the profit growth from this business has been constrained in FY2008. No margins will be charged to Group members in FY2009.

Bytecraft and Maxgaming are important contributors to gaming venue support activities around Australia. It is expected that Bytecraft will maintain and increase its gaming machine maintenance activities, and that Maxgaming will have the opportunity to bid for the monitoring and other services that will be required under the gaming machine licensing regime in Victoria after 2012.

## Tatts International

### Talarius

	30 June 2008 <sup>1</sup> A\$m
<b>REVENUE</b>	<b>50.5</b>
Expenses	42.0
<b>EBITDA</b>	<b>8.5</b>
Depreciation & Amortisation	5.9
<b>EBIT</b>	<b>2.6</b>

1. Reflects the performance since acquiring 100% of the business on 3 January 2008.

The second half result from the Talarius gaming and amusement machine business in the UK was an improvement on the first half when the company was part of a joint

venture. The improved results have been delivered from a combination of re-structuring and an investment in better performing machines. EBITDA for the second half was \$8.5M.

The performance of Talarius in FY2009 will rely on increased machine turnover as we pass the anniversary of smoking bans, the changes to machine play in the current half and opportunities to acquire additional venues at reasonable prices.

### South Africa

	<b>30 June 2008</b>	<b>Reported</b>	<b>Pro-forma</b>
	<b>A\$m</b>	<b>% on pcp</b>	<b>% on pcp</b>
<b>REVENUE</b>	<b>30.7</b>	<b>7.4</b>	<b>7.4</b>
Expenses	26.7	2.1	2.1
<b>EBITDA</b>	<b>4.0</b>	<b>64.9</b>	<b>64.9</b>
Depreciation & Amortisation	2.0	45.0	45.0
<b>EBIT</b>	<b>1.9</b>	<b>92.4</b>	<b>92.4</b>

The gaming machine business in South Africa is producing better outcomes as the machine population grows. The growth in machine numbers has been an important part of pushing this business into profitability, and should continue through FY2009. Like the UK, weak consumption spending in South Africa has exaggerated the decline in average machine revenue that invariably accompanies an increase in machine numbers. The South African business has contributed A\$4.0M EBITDA to Tatts.

We expect to continue to roll-out machines in South Africa throughout FY2009 and pursue other licence opportunities in an effort to add critical scale and grow the contribution from this business.



### Shared Services

Shared Service costs incurred by the Group were \$36.4M for FY2008, down 8.6% on FY2007 pro-forma costs. These costs exclude the Golden Casket shared service costs of \$6.4M (\$7.8M in FY2007) which appear in Tatts Lotteries this year.

The reduction in Shared Services costs reflects Tatts' ongoing commitment to containing costs and its success in extracting efficiency gains from the consolidation of the UNiTAB, Tattersall's and Golden Casket businesses over the past two years.

Total Shared Service costs (including Golden Casket shared services) are expected to be below \$40M in FY2009.

## KEY BUSINESS STATISTICS



Wouldn't you rather be with friends?

	FY 2008	FY 2007	Change
Number of Venues	257	257	-
Number of EGM's at 30 June	13,376	13,533	-1.2%
NMR per EGM per day (ave)	\$256	\$253	+1.2%
Number of EGM's under link	6,128	5,659	+8.3%
% of EGM's linked	45.8%	41.8%	+4.0



	Meetings		TAB QLD		SA TAB		NT TAB	
	FY08 #	FY07 #	Share %	Change %	Share %	Change %	Share %	Change %
<b>CODE</b>								
<b>Gallops</b>	2,313	2,261	73.1	-2.4	66.9	-1.4	71.0	-2.1
<b>Harness</b>	1,561	1,596	10.9	-0.4	14.8	-1.3	12.0	-1.5
<b>Greyhound</b>	2,647	2,396	16.0	+2.8	18.3	+2.7	17.0	+3.6

STATE								
- Qld	896	1,018	23.6	-4.3	15.4	-2.9	17.3	-2.6
- Vic	1,757	1,779	32.4	+3.2	33.6	+2.1	31.6	+2.3
- NSW	1,354	1,582	20.8	-4.1	19.3	-4.3	20.1	-4.9
- SA	553	554	8.6	+0.6	15.0	+0.4	9.6	+0.3
- NT	117	118	0.3	-	0.3	-	3.0	-
- WA	670	561	7.1	+1.4	8.4	+1.3	10.2	+1.1
- Other(inc NZ)	1,174	641	7.2	+3.2	8.0	+3.4	8.2	+3.8
<b>Total</b>	<b>6,521</b>	<b>6,253</b>						

Distribution Network	TAB QLD		SA TAB		NT TAB	
	Sites	%	Sites	%	Sites	%
Agencies & Branches	139	24.6	57	31.5	10	23.0
Pub/Club/Satellites	590	47.8	283	47.7	38	36.6
On-course	63	4.0	0	0.0	3	7.6
Telebet/Internet	3	23.6	2	20.8	2	32.8
<b>Product Shares</b>						
Win/Place		62.4		63.7		64.9
Trifecta		16.9		16.1		18.2
Multiples		14.4		14.2		12.4
Fixed Odds		6.3		6.0		4.5



Tatts Lotteries	FY 08	FY 07 #	Change
Major Product Sales (\$million) *			
- Saturday lotto	451.5	314.1	+43.7%
- Powerball	206.9	110.5	+87.2%
- Super 7's Oz Lotto	132.7	53.2	+149.4%
- Instant Lotteries	126.1	34.5	+265.5%
Number of Outlets	2,011	919	+119%
Powerball and OZ Lotto Jackpot weeks at and above \$15 m	26	15	+73.3%
Internet Sales (\$million) *	28.0	14.1	+98.3%

\* Player expenditure net of Prizes.  
# FY 2007 excludes Golden Casket.



	Queensland		New South Wales		Northern Territory	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Full Year (Machine Numbers)						
Monitoring	34,190	33,884	99,219	100,050	1,166	1,097
MIS	32,895	32,446	-	-	962	898
Jackpot Linked	14,539	13,182	4,343	4,729	419	371
Loyalty Linked	17,106	16,428	-	-	-	-



Talarius	FY 2008	FY 2007	Change
Number of AGC Venues	188	199	-5.5%
Number of EGM's in operation	7,238	8,216	-11.9%
NMR per EGM per day (average) *	£20.05	£23.74	-15.5%

South African Gaming	FY 2008	FY 2007	Change
Number of Venues			
- Western Cape	185	159	+16.4%
- KZN	81	17	+376.5%
Number of EGM's			
- Western Cape	850	715	+18.9%
- KZN	368	74	+397.3%
NMR per EGM per day (ave) – Rand			
- Western Cape	R577	R630	-8.4%
- KZN	R398	R570	-30.2%