



30 October, 2009

TATTS GROUP LIMITED'S 2009 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 2009 Annual General Meeting, commencing at 2.00pm (Brisbane time), Friday 30 October, 2009.

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
30 OCTOBER 2009

**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.

As it is past the appointed time and a quorum is present, I now declare open this meeting of members of Tatts Group Limited. A warm welcome to everyone present with us today here in Brisbane, and also to those watching or listening on-line.

Before we proceed, could I ask everyone in the room to please turn off or silence their mobile phones. Thank you.

This is the fourth Annual General Meeting since the merger of UNiTAB and Tattersall's in October 2006. We are pleased to bring this year's AGM to Brisbane in recognition of the continued support shown by more than 55% of our shareholders who are based in Queensland.

The Notice of Meeting and the Annual Report were sent to shareholders and the ASX on 28 September and, if there are no objections, I will take the Notice as being read.

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

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

Also present today we have Con Grapsas and Michael Crowe representing our auditors PricewaterhouseCoopers, and several of Tatts Group's senior managers who will be available to chat with shareholders after the meeting.

Overview

It is now three years since the merger of UNiTAB and Tatts. With that in mind, and this being the first AGM in Brisbane since 2006, I think it worth reflecting on what the merger has meant for the company and importantly for shareholders.

Longstanding UNiTAB shareholders may recall that UNiTAB became publicly listed in November 1999 at \$2.00 per share, and became the subject of a contested bidding battle between Tatts and Tabcorp throughout 2006. It is interesting to look back and reflect that an equivalent UNiTAB share price today would be \$10.70. This compares favourably to the rival Tabcorp offer which would now value a UNiTAB share at only \$6.80, a substantial difference of 57%!!

One of the key drivers behind the merger was diversification for both companies. The merger broadened the narrow reliance of UNiTAB on wagering and Maxgaming, to now encompass lotteries, gaming, Bytecraft machine servicing and several international businesses. In addition, the complementary skills of the businesses have enabled participation in growth opportunities that may otherwise have eluded UNiTAB shareholders, including the Golden Casket acquisition and, potentially, NSW Lotteries.

Importantly for all shareholders, over the three year period since the merger, Total Shareholder Return or TSR, which measures the combined return to shareholders from share price movement and dividends, has substantially outperformed Tabcorp, Sky City and Aristocrat, and has kept pace with the entire ASX200 index.

Of course, this three year period includes the global financial crisis and the Victoria Government's decision to reshape the gaming machine framework after 2012. While we are bound to accept the future gaming framework established by the Victoria Government, our position on the question of compensation for the non-renewal of this licence beyond 2012 has not changed. As I have stated previously, we will vigorously pursue compensation at the appropriate time in the best interests of you, the shareholders.

Shareholders have also benefitted from the high dividend payout ratio Tatts has maintained, even in the face of the global financial crisis and economic downturn. In the three year period from 2007 to 2009, between 96% and 98.5% of profits have been returned to shareholders as dividends. The annual dividend for the former UNiTAB shareholders has risen 51% since the merger. This is testament to the reliability and consistency of the Tatts diversified business model, and it is the current intention of your Board to maintain a high dividend payout ratio.

Year in Review

The 2009 financial year has again been a good one for Tatts Group. Profitability and shareholder returns have continued to improve despite the highly publicised global financial crisis and economic downturn. Financial highlights of the year included:

- Group revenue up 5.1% to over \$3.2 billion;
- EBIT, that is earnings before interest and tax, increased by 8.5% to \$450 million;
- Net Profit After Tax rose 7.7% to \$277 million;
- Earnings per Share were up 7.6% to 21.9 cents per share; and
- Dividend per Share increased to 21 cents per share, with a payout ratio of 96%.

While our Chief Executive, Dick McIlwain, will discuss our operations in greater detail, I would like to mention several standout performances:

- The addition of the Golden Casket lottery business has proven to be a resounding success. Tatts Lotteries delivered EBIT of \$108.5 million, an increase of 16% on the previous year, following an extraordinary run of jackpots during the year; and
- UNiTAB Wagering achieved EBIT of \$130.5 million, up almost 15%, and recovering strongly from the impact of equine influenza in the prior year.

Together these two businesses represent almost half of the group's EBIT. Importantly, they are both resilient businesses operating under secure long term licences that have a demonstrated history of delivering sustained organic growth through varying economic conditions. They are also businesses that provide platforms for growth beyond their current boundaries.

Opportunities

Each of our existing businesses has expansion opportunities within their field of expertise. The acquisition of Golden Casket in 2007 provided a clear demonstration of our ability to successfully integrate a lottery business in a manner that was seamless for our customers, the agents who sell our tickets, and the Queensland Government. Hence, it is no secret that the upcoming sale of NSW Lotteries is also of interest to Tatts.

In addition, there are various wagering, gaming machine monitoring and maintenance opportunities emerging that are of interest to Tatts Group.

As always, we will commit to applying rigorous criteria in determining which opportunities we pursue. Our preparedness to walk away from transactions that do not meet our investment criteria based on shareholder value creation was demonstrated in August this year, when we withdrew from the final bidding stage for the Tote Tasmania business.

As I stated at last year's AGM, our growth potential also extends beyond the obvious targets. Tatts is a **network** of **neighbourhood based** businesses that reach our customers through **technology**, especially networked wide-area information and transaction processing. Tatts Lotteries alone processed more than 200 million transactions during the past year from hundreds of networked locations. This means that our underlying core strength resides not in gambling products and services alone, but also in the collation, analysis and distribution of high volume transactions via secure wide-area networks.

Whilst we cannot be precise on what specific opportunities may arise, shareholders may rest assured that we will maintain a rational and measured approach in seeking out and evaluating only those opportunities that fit within our core competencies and that create long term shareholder value.

Financial Management

I will turn now to overall financial and capital management. Tatts Group has reaped the rewards of remaining disciplined in steadfastly resisting the recently fashionable trends towards highly geared balance sheets. Our rational and measured approach to capital management has stood us in good stead through the current global financial crisis and economic downturn, and we are well positioned to take advantage of opportunities that arise.

We have kept up a steady and consistent program of capital investment in each of our businesses to maintain momentum, minimise disruption and maximise efficiencies. There are no major headwinds against us on this front.

We have an enviable balance sheet with strong credit indicators. Average net debt for the year was \$718 million at 30 June 2009, and our \$1.1 billion debt facilities were reset to mature in 2011 and 2013. Our net debt to EBITDA ratio was around 1.2 times, and interest cover for the year was 11.4 times. These are all key indicators of the strong financial position of Tatts Group and, importantly, our ongoing strong financial management should see them remain in place for the current business base beyond 2012, despite the end of the Tatts Pokies business.

Last year, I announced the introduction of a Dividend Reinvestment Plan. The take up rate by shareholders has been pleasing, and has resulted in the issue of 10.2 million additional shares to existing holders and the retention of around \$26 million cash within the business.

Corporate Social Responsibility

I would now like to turn to the broader issue of Corporate Social Responsibility.

Tatts is committed to ensuring the responsible delivery of our products and services. Responsible Gambling Codes of Conduct exist in each of Tatts' trading jurisdictions, and Tatts works collaboratively with community groups, counselling and welfare agencies, regulators and various government representatives to promote the responsible use of our products.

Importantly, Tatts also continues to support the communities in which we operate. For example, \$5 million was contributed through Golden Casket to the Starlight Children's Foundation, Royal Children's Hospital Foundation, the **Mater** Foundation and other Queensland Health projects during the year. In addition, the Tattersall's George Adams Foundation contributed \$2 million to community based programs such as Very Special Kids and the Royal Women's Hospital in Victoria.

In February this year, Tatts drew on the strength of its network of Victorian lottery outlets to harness community support following the devastating bushfires in that State. Tatts donated its entire Victorian revenue of almost \$450,000 from the special Tattslotto Bushfire Benefit draw to help the Alfred Hospital Burns Unit continue to provide ongoing support for victims.

In terms of the environmental issues facing society in general, as I stated last year, Tatts does tread relatively lightly on the planet, and this has not changed. As a wide-area network company, a significant proportion of our products and services are already delivered electronically. Early analysis indicates that we fall well below the legislative reporting requirements relating to carbon levels. Nonetheless, we recognise that every little bit counts, and are committed to seeking further improvements in the areas we can control.

Questions on Notice

The Notice of Meeting sent to all shareholders included an invitation to send questions in advance of the meeting. I thank those shareholders who took the time to respond, as it assists the directors to better understand what is of interest to you, the shareholders. Many questions revolved around the company's current share price, and the issue of compensation from the Victorian Government for the gaming licence, which I have already addressed. There were also questions regarding remuneration and the granting of performance rights. I will address a number of these issues under Items 4 and 5 of today's business.

Of course, there will be additional opportunities for shareholders to ask questions later in the meeting.

Acknowledgements

Before moving on, I would like to acknowledge the commitment and dedication of our people. Tatts Group is fortunate to have such an experienced team of directors, management and staff, who have worked diligently to shape the company as it is today. We all stand ready for the challenges and opportunities of tomorrow. I would also like to thank you, our shareholders, for your ongoing support. We as a management team will continue to strive to reward your loyalty.

Your company has been on a significant journey over the past three years, benefitting from the experienced leadership of our Managing Director and Chief Executive Mr Dick McIlwain. We were pleased to announce in March this year that Dick had agreed to lead the company through what is shaping as an exciting and stimulating three years ahead. It is my pleasure to now hand over to Dick, who will discuss the operations and outlook in more detail, 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 stand here today and re-visit the material that was published when we announced our results for the 2009 financial year. The Media Release which accompanied these results provided shareholders with a concise and easy to read snapshot of the performance of each of Tatts' main businesses. It can be found on www.tattsgroup.com by going to the investor centre and then to announcements. It can also be found on www.asx.com by following a similar path to the TTS 2009 company announcements.

As an alternative to reading past announcements, I would like to pick out a couple of the themes from the full year results announcements before talking a little about the current performance of our businesses.

One of those themes from the full year results presentation was the shift in customer behaviour that we identified a year ago. Tatts' customers are no different to any other consumers. They react when there is a degree of uncertainty. This does not generally translate into a drop in spending on our services. Their reaction to uncertainty is more about subtle shifts in the way they use our services.

Typically, we see the punters who use our wagering services shift toward less speculative bet types and even reduce the average spent on individual bets. Lottery players take a different but similar approach. They will often reduce spending on instant lotteries while maintaining their interest in the regular lotto and Powerball draws.

The broad reach of the Tatts neighbourhood gambling businesses is their strength. It means that our customers reflect the broader economy and explains why we rarely see big fluctuations in sales and profit performance. It is an important part of our business model.

Our sales did not flatten out or stall in response to the crises borne out of the financial markets last year. There are a number of reasons for this. At the time, many of our customers were never better off. Falling petrol prices, extremely low interest rates, fewer job losses than forecasters anticipated and the Federal Government's package designed to buy everyone a plasma television set created a perfect storm for those whose interests are firmly anchored in local communities around Australia.

There is ample evidence to suggest that Tatts benefitted from the changes within the economy as communities looked locally. We saw foot traffic in the hotels increase as the search for better value took hold amongst more cautious consumers. The same was true for those who decided to watch television and spend holidays locally at a time when the Australian dollar had fallen against other currencies – it was in the mid 60 cents to the US dollar a year ago.

If the 2009 financial year was good for Tatts, we should all ask whether the 2010 year is going to be just as good. The answer is that it will be different. The signs are already evident in our FY2010 sales that the typical customer response to more difficult economic conditions is now emerging. The consequence of all of this is likely to be flatter growth, without a reduction in spending, across our total portfolio of services. We

can see how this is unfolding this financial year when we look at each of our businesses. First, let's turn to:

Tatts Pokies (Victoria)

Tatts Pokies Victorian gaming machine operations is struggling to match the sales delivered last financial year. The current half will fall behind the levels set last year, largely as a result of the incredibly strong growth recorded last December. Furthermore, the extra machines we expect to roll out between now and next June are unlikely to push gaming machine turnover to record levels without a new round of Federal Government economic stimulus.

Costs in the current half have been inflated by bringing forward an investment in new games and the changes required to comply with new restrictions on the maximum bet per spin. Consequently, EBITDA from Tatts Pokies will fall below the levels recorded in the first half last year. The spurt in operating expenditure will dissipate in the second half of the current financial year. Consequently, we are expecting stronger second half performance than for the first half - unlike last financial year when the first half was stronger.

UNiTAB Wagering (Queensland, NT and South Australia)

The response by the wagering business has been unfolding more predictably. Migration to spending on safer options is accelerating in a way we have never seen before. This time it is not shifting from just exotic and speculative bet types to the safer win and place options in the TAB pools. It is also migrating away from traditional TAB betting to our fixed odds service.

Growth in betting on fixed odds racing has been in excess of 200% since it was extended to almost all thoroughbred racing in April. This has come at the expense of traditional TAB betting and is expected to accelerate again when we add the fixed odds option to our in-store and internet information displays in December.

The response we have seen to the increased availability of fixed odds betting on racing is not entirely surprising. The publicity that interstate corporate bookmakers enjoy has provided this form of betting with the visibility needed to capture above trend growth.

Nevertheless, we should always put a little perspective around the development of this business. The corporate bookmakers spend most of their energy on matching TAB products rather than traditional fixed odds betting. They are able to replicate TAB prices by operating within low tax jurisdictions and with the assistance of commissions paid when they bet back, or lay off, in the TAB pools.

Corporate bookmakers are neither innovative nor genuine contributors to the racing industry. Their bookmaking business model is fragile and relies on win rates that cannot support a significant contribution to the racing industry as well as the associated racing information race broadcasting and television services on which they rely. In fact, they have found that the commissions they receive from betting into the TAB pools are far more lucrative than the win rates they achieve from bookmaking.

Meanwhile, UNiTAB Wagering's growth in FY2010 is expected to reflect the trends typically found in a more stable environment. Shifts in the racing program and even the weather will have a more obvious influence on growth rates in this environment. Year to date betting sales are up 5%. Revenue from betting is growing at around 3%. EBITDA is expected to be relatively flat after absorbing the cost of the migration from the outsourced TABSportsbet pricing service to the TattsBet bookmakers in December.

Tatts and Golden Casket Lotteries (Victoria, NT, Tasmania, ACT and Queensland)

Tatts Lotteries in Victoria, Tasmania, Northern Territory, and the ACT, and Queensland's Golden Casket produced a great result in FY 2009. Some would argue that the monster Oz Lotto draw which commanded national interest on June 30 has made it almost impossible for this business to beat last year's results in FY2010. This could well be right notwithstanding that Tatts Lotteries, including Golden Casket, has delivered an 8% increase in net revenue so far this year. EBITDA to net revenue margins improved during the first quarter of the financial year

A tough, or impossible, second half does not mean that the FY2010 will be a poor result. However, it probably means that the first half will be better than the second.

Maxgaming and Bytecraft (Queensland, NT, NSW and Australia-wide)

Maxgaming and Bytecraft are slightly different business models to the networked gambling model offered by Tatts Pokies, UNiTAB Wagering and Tatts Lotteries. They support gaming venues with technical services. In Bytecraft's case, it also supports point of sale and technical activities for many other unrelated retailers, financial institutions and other gambling companies.

Maxgaming is a particularly strong supplier of smart technical applications for gaming venues. Its willingness to invest in the constant development of the software applications which enhance player services, venue management information and compliance systems has seen it corner over 80% of the contested Queensland market. It accounts for 100% of the Northern Territory gaming venue support market and holds exclusive licences to monitor and provide wide area jackpots to gaming venues in NSW.

Meanwhile, Maxgaming's rapid roll-out in Queensland of its Simplay carded play system has created a working example of a solution to the emerging demands from government and the wider community for technology which will assist players to impose limits on how much they wish to spend playing gaming machines. It offers a complete solution to these demands when coupled with Maxgaming's unique position as the largest and most extensive supplier of wide area machine monitoring services to governments and venues.

Both Maxgaming and Bytecraft have improved their financial performance this financial year. The prospects for expanding these businesses is being realised through new product roll-outs by Maxgaming and Bytecraft's success in winning new contracts. EBITDA for the first quarter from these businesses has increased by almost 5% so far this financial year. Their profitability isn't affected by the seasonality experienced by the networked gambling businesses.

International (South Africa and UK)

The international businesses in South Africa and UK are enduring mixed fortunes. The South African business is moving towards a sale. Meanwhile, Talarius in the UK continues to battle a difficult macro-economic climate notwithstanding the investment we have made in both gaming floor re-configuration and marketing.

The divestment of our interests in South Africa will be yet another step away from poker machine operations. Talarius will be Tatts' only operator of poker machines after August 2012.

Talarius continues to be a work in progress. Sales in UK pounds are up 12% year with the benefit of the contribution from the two acquisitions we made during the 2009 financial year. Nevertheless, first half profits will be weaker when compared with the same period last year.

There is little doubt that gaming in the UK is passing through a period which is producing significant restructuring and relatively stable sales. The future will depend largely on an economic recovery in the UK. We believe that we will not see Talarius' full potential for two or three years.

Summary

That is my snapshot of where the current businesses are heading this financial year. Not the same growth as last year, but, not a lot different to last year when everything is considered.

Meanwhile, the balance sheet continues to work in the company's favour. The business is generating solid growth in free cash and interest costs are significantly lower than for the same period last year.

Opportunities

The future is more than grinding out good results year in and year out. We have some real opportunities. NSW Lotteries and Maxgaming's potential entry into Victoria are presenting themselves as immediate opportunities. They offer the same prospects for seamlessly and profitably extending existing businesses within the Tatts portfolio. Other opportunities continue to emerge.

The emergence of those opportunities, and others, frequently raises questions about our ability to fund this expansion while maintaining acceptable debt levels after the profits from the Tatts Pokies business disappear in August 2012 and sustaining a relatively high dividend payout ratio. We can do all of these without raising equity. Our balance sheet is one of our great assets!

Tatts is a high quality business with secure long term licences over its wagering and lottery businesses and a robust market position in its venue services businesses. The Tatts model works well and adjusts continually because its services are widely distributed throughout many different communities. Also, Tatts has an enviable balance sheet and is a solid and reliable business and just like the broader community it services, it cannot, and will not, change its shape overnight.

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