

## **Tatts Group Limited – Release of Tabcorp Group 2018 half year results**

Tatts Group Limited (**Tatts Group**) (ASX:TTSHA) advises that its sole shareholder, Tabcorp Holdings Limited (**Tabcorp**), today released its results for the first half of the 2018 financial year (**Tabcorp 1H18 Results**) and attaches a copy of that announcement.

The Tabcorp 1H18 Results presentation includes additional details of Tatt Group's results for the first half of the 2018 financial year which includes the trading period prior to acquisition by Tabcorp. The Tatts Group 1H18 information is subject to review by the Tatts Group external auditors.

It is expected that the Tatts Group 1H18 Interim Financial Report will be finalised by March 2018, following completion of a review of the carrying value of assets and resetting of tax balances as a consequence of joining the Tabcorp tax consolidated group following the merger with Tabcorp.

For more information:

Media: Nicholas Tzaferis, Tabcorp GM Corporate Affairs, +61 3 9868 2529

Financial analysts: Sacha Krien, Tabcorp GM Investor Relations, +61 3 9868 2794

8 February 2018

Australian Securities Exchange  
Companies Announcements Platform  
20 Bridge Street  
Sydney NSW 2000

**RESULTS FOR ANNOUNCEMENT TO THE MARKET  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2017 is transmitted for lodgment:

1. Appendix 4D;
2. Media Release;
3. Directors' Report; and
4. Financial Report.

The information contained in this announcement should be read in conjunction with Tabcorp's most recent Annual Report.

Yours faithfully



**Fiona Mead**  
Group Company Secretary

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC Australia 3001	tabcorp.com.au ABN 66 063 780 709
-----------------------------	---	---	--------------------------------------

# APPENDIX 4D

Tabcorp

## Results for announcement to the market

Half year report for the 6 months ended 31 December 2017

Tabcorp Holdings Limited (ABN 66 063 780 709)

Results	\$m	% change increase/(decrease)
Revenue from ordinary activities	1,376.2	19%
Profit from ordinary activities after tax attributable to members	24.6	(58%)
Net profit for the period attributable to members	24.6	(58%)

Dividend	Record date	Payable	Amount per share	Franked amount per share
Interim dividend	14 February 2018	13 March 2018	11.0 ¢	11.0 ¢

No foreign conduit income is attributable to the interim dividend.

## Dividend reinvestment plan

Tabcorp's dividend reinvestment plan (DRP) will operate in respect of the interim dividend, with the last date for receipt of election notices being 15 February 2018. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 13 March 2018 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of Tabcorp shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 10 business days beginning on the second business day after the dividend record date.

Net tangible asset backing	December 2017 \$	December 2016 \$
Net tangible asset backing per ordinary share	(1.81)	(1.26)
Net tangible asset backing per ordinary share including licences	(1.00)	(0.47)

## Supplementary information

The previous corresponding period is the half year ended 31 December 2016.

For additional Appendix 4D disclosures, refer to the accompanying Media Release, Directors' Report and the Financial Report for the half year ended 31 December 2017.

This Appendix 4D should be read in conjunction with Tabcorp Holdings Limited's Annual Report 2017.

8 February 2018

## Tabcorp 1H18 Results: Reshaping Tabcorp – a significant first half

- Combination of Tatts Group and Tabcorp completed in December 2017
  - Creates a world-class, diversified gambling entertainment group
  - Large national footprint and a diverse product offering across Wagering, Media, Lotteries, Keno and Gaming Services
  - Combined Executive Leadership Team appointed
  - Integration progressing to plan
  - At least \$130m per annum of EBITDA synergies and business improvement benefits planned to be delivered in the first full year following integration. Integration is planned to take approximately two years
- Strategic investments to enhance competitive position in Australian gambling market
  - New wagering venue partnerships, including digital commissions
  - Improved digital capability and customer experience
  - Strengthened regulatory compliance and risk management capability across all businesses
  - Well placed to compete in evolving regulatory landscape
- Luxbet ceased operations and Odyssey Gaming Services divested
- Sun Bets business remains under review

## 1H18 Financial overview

- Statutory results<sup>1</sup>
  - Revenues \$1,376.2m, up 18.7%
  - NPAT \$24.6m, down 58.2%
  - EPS<sup>2</sup> 2.6 cents per share, down 63.4%
  - NPAT and EPS adversely impacted by significant items after tax<sup>3</sup> of \$57.4m
- Results before significant items<sup>4</sup>
  - Revenues \$1,376.2m, up 18.7%
  - EBITDA \$269.6m, down 0.3%
  - NPAT \$82.0m, down 20.2%
  - EPS 8.6 cents per share, down 30.1%
- Interim dividend 11.0 cents per share, fully franked
- Operational highlights
  - Completion of combination with Tatts
  - TAB business reported 3.1% turnover growth driven by a 16.5% uplift in digital turnover and strong customer acquisition
  - Gaming Services delivered double digit earnings growth, with Intecq now fully integrated
  - Keno turnover growth of 3.5% in 2Q18, with momentum building in digital sales
- Group pro-forma<sup>5</sup> results before significant items
  - Revenues \$2,666.2m, up 3.1%
  - EBITDA \$485.4m, down 1.2%
  - EBIT \$350.8m, down 3.1%

<sup>1</sup> Tabcorp results include 18 days contribution from Tatts Group from 14 December 2017.

<sup>2</sup> EPS calculated using weighted average shares for the period.

<sup>3</sup> Significant items (after tax) of \$57.4m comprise Tatts Group acquisition related costs \$59.3m, Sun Bets onerous contract provision \$49.0m, Sun Bets impairment \$3.2m, Luxbet closure costs \$12.4m, loss on Odyssey divestment \$6.3m, partly offset by the net gain on the cash-settled equity swap \$72.8m.

<sup>4</sup> Tabcorp results before significant items include the Sun Bets operating result in 1H18.

<sup>5</sup> Pro-forma results contain six months of Tabcorp and Tatts results, with adjustments. Refer to slide 22 of 2017/18 Tabcorp Holdings Limited First Half Results Presentation for further details.

# MEDIA RELEASE

# Tabcorp

## GROUP RESULTS<sup>1,2</sup>

\$m	1H18	1H17	Change
Revenues	1,376.2	1,159.3	18.7%
Variable contribution	568.7	521.5	9.1%
Operating expenses	(299.1)	(251.1)	19.1%
<b>EBITDA before significant items</b>	<b>269.6</b>	<b>270.4</b>	(0.3%)
D&A	(99.8)	(86.7)	15.1%
<b>EBIT before significant items</b>	<b>169.8</b>	<b>183.7</b>	(7.6%)
Interest	(38.7)	(34.9)	10.9%
Tax expense	(49.1)	(46.1)	6.5%
<b>NPAT before significant items</b>	<b>82.0</b>	<b>102.7</b>	(20.2%)
Significant items (after tax) <sup>3</sup>	(57.4)	(43.8)	31.1%
<b>Statutory NPAT</b>	<b>24.6</b>	<b>58.9</b>	(58.2%)

### NOTES:

- Results include 18 days contribution from Tatts from 14 December 2017
- Sun Bets was treated as a significant item in 1H17
- Significant items (after tax) of \$57.4m comprise Tatts Group acquisition related costs \$59.3m, Sun Bets onerous contract provision \$49.0m, Sun Bets impairment \$3.2m, Luxbet closure costs \$12.4m, loss on Odyssey divestment \$6.3m, partly offset by the net gain on the Tatts cash-settled equity swap \$72.8m

## BUSINESS RESULTS

\$m	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Sun Bets <sup>1</sup>	Change on pcp	Tatts <sup>2</sup>	Change on pcp	Group <sup>3</sup>	Change on pcp
Revenues	1,000.7	1.4%	83.3	38.4%	112.2	0.1%	3.7	n/a	176.3	n/a	1,376.2	18.7%
Variable contribution	391.6	(1.5%)	75.6	28.8%	63.1	(3.1%)	(10.9)	n/a	49.3	n/a	568.7	9.1%
Operating expenses	(209.8)	4.1%	(29.3)	29.1%	(23.9)	(4.0%)	(11.6)	n/a	(22.0)	n/a	(299.1)	19.1%
<b>EBITDA</b>	<b>181.8</b>	(7.3%)	<b>46.3</b>	28.6%	<b>39.2</b>	(2.5%)	<b>(22.5)</b>	n/a	<b>27.3</b>	n/a	<b>269.6</b>	(0.3%)
D&A	(62.0)	2.3%	(20.0)	30.7%	(12.2)	13.0%	(1.0)	n/a	(4.6)	n/a	(99.8)	15.1%
<b>EBIT</b>	<b>119.8</b>	(11.6%)	<b>26.3</b>	27.1%	<b>27.0</b>	(8.2%)	<b>(23.5)</b>	n/a	<b>22.7</b>	n/a	<b>169.8</b>	(7.6%)

### NOTES:

- Sun Bets was treated as a significant item in 1H17
- Results include 18 days contribution from Tatts from 14 December 2017. Tatts Group has been identified as a single segment due to the proximity of the acquisition to the period end. Tabcorp's operating segments will be reassessed prior to 30 June 2018
- Business results do not aggregate to Group total due to unallocated expenses and intercompany eliminations

# MEDIA RELEASE

**Tabcorp**

## **MANAGING DIRECTOR AND CEO COMMENTARY**

"1H18 was an important half for Tabcorp as we completed the combination with Tatts Group, bringing together two highly complementary businesses. The combination positions us well to invest, innovate and compete in a rapidly evolving environment," Tabcorp's Managing Director and CEO, David Attenborough, said.

"The 1H18 financial result reflects a period of reshaping the Tabcorp business for sustainable growth. This includes implementing the combination with Tatts, exiting Luxbet and Odyssey Gaming Services, and our ongoing investments in areas such as our digital capability, customer acquisition and the risk management and compliance framework.

"The fundamentals in Tabcorp's Wagering business remained strong in the first half, with good turnover growth and a strong uplift in digital turnover and customer acquisition. This was pleasing in a highly competitive wagering market in which competitors aggressively pursued customer acquisition ahead of regulatory change. The Wagering business has made strategic investments in digital commissions and venue partnerships. While these investments impact variable contribution, they have strengthened our venue partnerships and the sustainability of our Wagering business.

"Tabcorp's Gaming Services business continued to grow, while Keno had an improved second quarter and is building momentum in digital sales.

"The diversification benefits that the Tabcorp-Tatts combination brings were highlighted by the six-month financial results of the Tatts Group businesses. Tatts' Lotteries and Gaming businesses delivered strong earnings growth, while the Wagering performance reinforces the opportunity we have in successfully integrating our two Wagering businesses.

"Tabcorp is well placed to compete in the evolving regulatory landscape. This includes the introduction of point of consumption taxes, and restrictions on credit betting, advertising, inducements and live betting."

## **WAGERING & MEDIA**

Tabcorp's Wagering & Media revenues were \$1,000.7m, up 1.4%. EBITDA was \$181.8m, down 7.3%. Wagering revenue growth, ex-Luxbet, was up 2.6%. Revenue growth in the second quarter declined relative to the first quarter. Media revenues were \$89.2m, in line with the pcp.

The KPIs for the core TAB business remained strong, with digital turnover growth of 16.5% and total TAB fixed odds revenue growth of 14.4%, including 16.1% growth in racing. Active TAB account customers were up 7.2% in the half, driven by 17.1% growth in new customer acquisition and good retention rates.

The costs of strategic venue partnerships and the rollout of a digital commissions model were reflected in the lower variable contribution. Operating expense growth of 4.1% was driven by increased customer acquisition activity and legal costs, which included the defence of CrownBet's retail challenge in NSW.

Luxbet recorded an EBIT loss of \$7.8m. A strategic review of Luxbet was completed in the half, which resulted in the business ceasing operations in December.

## **GAMING SERVICES**

Tabcorp's Gaming Services revenues, which include a full six months of Intecq trading compared to one month in the pcp, were \$83.3m, up 38.4%. EBITDA was \$46.3m, up 28.6%.

The integration of Intecq has completed, with the business now covering approximately 57,600 gaming machines across loyalty and value-added systems in Victoria, NSW, Queensland and Tasmania.

# MEDIA RELEASE

**Tabcorp**

## **KENO**

Revenues in Tabcorp's Keno business were \$112.2m, in line with the pcp. EBITDA was \$39.2m, down 2.5%. The second quarter turnover performance was stronger relative to the first quarter with turnover growth of 3.5%. The first half performance was impacted by an unfavourable jackpot sequence.

## **SUN BETS**

The UK start-up Sun Bets recorded an EBITDA loss of \$22.5m in 1H18. Sun Bets' performance remained unsatisfactory in 1H18, despite a better trading performance in 2Q18. Significant items have been raised in respect of a Sun Bets onerous contract provision of \$49.0m and impairment of business assets of \$4.3m (\$3.2m after tax). The Sun Bets business remains under review.

## **TATTS GROUP**

Revenues from the businesses formerly run by Tatts Group for the 18 days from 14 December (effective merger date) to 31 December 2017 were \$176.3m. EBITDA was \$27.3m.

Across the six months to 31 December 2017, Tatts' Lotteries business recorded revenues of \$1,081.2m, up 6.2%, and EBITDA of \$161.1m, up 10.8%. Tatts Wagering business revenues were \$311.1m, down 2.0%, and EBITDA was \$55.9m, down 10.1%. Tatts Gaming revenues were \$91.8m, up 4.8%, and EBITDA was \$35.4m, up 9.5%.<sup>6</sup>

## **DIVIDEND**

Tabcorp has announced a fully franked interim dividend of 11.0 cents per share. The FY18 dividend target is 90% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence and Sun Bets. The Dividend Reinvestment Plan will operate for the interim dividend.

## **INTEGRATION**

The combination with Tatts is planned to deliver at least \$130m per annum of EBITDA synergies and business improvement benefits in the first full year after integration. Integration is planned to take approximately two years and is progressing well.

## **CONCLUSION**

Mr Attenborough said: "Now that the combination with Tatts has been completed, we are focused on delivering the significant value and other benefits that will flow to shareholders, customers and our racing and venue partners.

"We have reshaped the business and have created a strong platform for sustainable growth, with a clear set of priorities to drive growth across each of our businesses. Our focus on ensuring the highest levels of regulatory compliance will continue as we deliver on this agenda.

"At the same time, we will remain committed to a disciplined approach to operating expenses and capital investment to deliver sustainable returns to our shareholders."

For more information: Media: Nicholas Tzaferis, GM Corporate Affairs, +61 3 9868 2529  
Financial analysts: Sacha Krien, GM Investor Relations, +61 3 9868 2794

<sup>6</sup> Refer to slide 16 of 2017/18 Tabcorp Holdings Limited First Half Results Presentation for further details on the preparation of the Tatts Group business results. The Tatts Group 1H18 information is subject to review by the Tatts Group external auditors.

# DIRECTORS' REPORT

**Tabcorp**

The Directors of Tabcorp Holdings Limited (the Company) present their report for the consolidated entity comprising the Company and its subsidiaries (the Tabcorp Group) in respect of the half year ended 31 December 2017.

## **Principal activities**

The principal activities of the Tabcorp Group during the half year comprised the provision of gambling and entertainment services. The Tabcorp Group's principal activities remain unchanged from the previous financial year to 30 June 2017, except for the inclusion of Tatts Group Limited (and its subsidiaries) (Tatts Group) which became a wholly owned subsidiary of the Company in December 2017, and as disclosed elsewhere in this Directors' Report. The results for the Tabcorp Group for the half year to 31 December 2017 include 18 days contribution from Tatts Group from 14 December 2017.

## **Review of operations**

The Tabcorp Group has the following five operating segments at the end of the period:

- Wagering and Media;
- Gaming Services;
- Keno;
- Sun Bets; and
- Tatts Group, which is a leading Australian lottery, wagering and gaming company with a diversified network of retail and direct channels across Australia.

Sun Bets was identified as an operating segment during the current period as it is no longer in an establishment phase. Tatts Group has been identified as a single segment due to the proximity of the acquisition to the period end and there has been no regular reporting to the Company's Managing Director and Chief Executive Officer (Chief Operating Decision Maker) of results at a lower level. The Tabcorp Group's operating segments will be reassessed prior to 30 June 2018.

The activities and results for these operations during the half year are set out in the Media Release, which forms part of this Directors' Report.

## **Dividend**

An interim dividend of 11 cents per share has been announced. The interim dividend will be fully franked and payable on 13 March 2018 to shareholders registered at 14 February 2018. The ex-dividend date is 13 February 2018. Further details relating to the interim dividend are provided in Note A2 of the Financial Report.

The Company's Dividend Reinvestment Plan (DRP) will operate in respect of this interim dividend, with no discount or underwriting applicable.



## Directors

The Directors of the Company at the date of this report and at any time during the half year ended 31 December 2017 are:

Name	Title
Paula Dwyer	Chairman and Non Executive Director
David Attenborough	Managing Director and Chief Executive Officer
Bruce Akhurst	Non Executive Director (from 18 July 2017)
Harry Boon	Non Executive Director (from 22 December 2017)
Elmer Funke Kupper	Non Executive Director (on leave of absence)
Steven Gregg	Non Executive Director
Jane Hemstrich	Non Executive Director (ceased 27 October 2017)
Vicki McFadden	Non Executive Director (from 18 July 2017)
Justin Milne	Non Executive Director
Zygmunt Switkowski AO	Non Executive Director

## Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the review for the half year ended 31 December 2017. This auditor's independence declaration forms part of this Directors' Report.

## Rounding of amounts

Dollar amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

This report has been signed in accordance with a resolution of Directors.



**Paula J Dwyer**  
Chairman

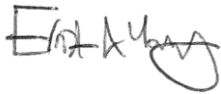
Melbourne  
8 February 2018

## Auditor's Independence Declaration to the Directors of Tabcorp Holdings Limited

As lead auditor for the review of Tabcorp Holdings Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tabcorp Holdings Limited and the entities it controlled during the financial period.



Ernst & Young



David Shewring  
Partner  
8 February 2018

# INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

## Tabcorp

		December 2017 \$m	December 2016 \$m
Revenue		1,376.2	1,160.8
Other income		104.5	11.4
Commissions and fees	A3	(539.2)	(479.9)
Government taxes and levies		(262.8)	(165.8)
Employment costs		(135.7)	(109.7)
Depreciation and amortisation		(99.8)	(88.2)
Impairment		(18.1)	-
Communication and technology costs	A3	(43.9)	(42.3)
Advertising and promotions		(48.2)	(38.4)
Property costs		(26.2)	(20.5)
Other expenses		(125.7)	(83.4)
Transaction costs - combination with Tatts Group	C1	(47.0)	(9.1)
<b>Profit before income tax expense and net finance costs</b>		<b>134.1</b>	<b>134.9</b>
Finance income		1.0	0.8
Finance costs		(45.9)	(36.7)
<b>Profit before income tax expense</b>		<b>89.2</b>	<b>99.0</b>
Income tax expense		(64.6)	(40.1)
<b>Net profit after tax</b>		<b>24.6</b>	<b>58.9</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Change in fair value of cash flow hedges taken to equity		2.3	7.7
Change in fair value of available for sale financial assets		(0.1)	-
Exchange differences on translation of foreign operations		(0.2)	(1.5)
Income tax on these items		(0.7)	(2.3)
<b>Other comprehensive income for the period, net of income tax</b>		<b>1.3</b>	<b>3.9</b>
<b>Total comprehensive income for the period</b>		<b>25.9</b>	<b>62.8</b>
		<b>December 2017 cents</b>	<b>December 2016 cents</b>
<b>Earnings per share:</b>			
Basic earnings per share		2.6	7.1
Diluted earnings per share		2.6	7.0
<b>Dividends per share:</b>			
Declared and paid during the period	A2	12.5	12.0
Determined in respect of the period	A2	11.0	12.5

*The income statement should be read in conjunction with the accompanying notes.*

# BALANCE SHEET

AS AT 31 DECEMBER 2017

## Tabcorp

		December 2017 \$m	June 2017 \$m
	Note		
<b>Current assets</b>			
Cash and cash equivalents		484.8	114.3
Receivables		161.6	54.5
Prepayments		55.9	22.8
Current tax assets		-	5.4
Derivative financial instruments	B3	663.0	296.2
Assets held for sale		-	13.1
Other	A5	87.8	50.3
<b>Total current assets</b>		<b>1,453.1</b>	<b>556.6</b>
<b>Non current assets</b>			
Receivables		8.2	12.5
Investment in an associate	C3	22.9	-
Available for sale financial assets	B2	20.6	-
Licences		1,627.0	637.5
Other intangible assets	A6	9,484.4	2,058.1
Property, plant and equipment		501.8	339.4
Prepayments		30.6	33.0
Held to maturity investments	B2	55.0	-
Derivative financial instruments	B3	125.3	80.3
Other		26.6	23.5
<b>Total non current assets</b>		<b>11,902.4</b>	<b>3,184.3</b>
<b>TOTAL ASSETS</b>		<b>13,355.5</b>	<b>3,740.9</b>
<b>Current liabilities</b>			
Payables		1,024.1	361.8
Interest bearing liabilities	B1	1,078.2	974.3
Current tax liabilities		45.5	-
Provisions		96.7	36.4
Derivative financial instruments	B3	32.1	32.4
Liabilities directly associated with assets held for sale		-	2.6
Other	A5	68.6	8.9
<b>Total current liabilities</b>		<b>2,345.2</b>	<b>1,416.4</b>
<b>Non current liabilities</b>			
Payables	A7	232.1	-
Interest bearing liabilities	B1	2,851.6	684.0
Deferred tax liabilities		325.9	60.5
Provisions		89.3	63.0
Derivative financial instruments	B3	23.9	30.6
Other		12.2	3.0
<b>Total non current liabilities</b>		<b>3,535.0</b>	<b>841.1</b>
<b>TOTAL LIABILITIES</b>		<b>5,880.2</b>	<b>2,257.5</b>
<b>NET ASSETS</b>		<b>7,475.3</b>	<b>1,483.4</b>
<b>Equity</b>			
Issued capital		8,516.3	2,444.5
Accumulated losses		(350.1)	(270.3)
Reserves		(690.9)	(690.8)
<b>TOTAL EQUITY</b>		<b>7,475.3</b>	<b>1,483.4</b>

The balance sheet should be read in conjunction with the accompanying notes.

# CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

## Tabcorp

	December 2017 \$m	December 2016 \$m
<b>Cash flows from operating activities</b>		
Net cash receipts in the course of operations	1,415.4	1,169.8
Payments to suppliers, service providers and employees	(932.5)	(841.1)
Payment of government levies, betting taxes and GST	(159.4)	(116.8)
Finance income received	1.0	0.8
Finance costs paid	(64.3)	(35.6)
Income tax paid	(21.5)	(34.2)
<b>Net cash flows from operating activities</b>	<b>238.7</b>	<b>142.9</b>
<b>Cash flows from investing activities</b>		
Payments relating to cash-settled equity swap	(325.1)	(326.4)
Proceeds relating to cash-settled equity swap	74.1	-
Payment for business acquisition, net of cash acquired	(210.7)	(113.2)
Net proceeds from business divestment	13.2	-
Payment for property, plant and equipment and intangibles	(105.9)	(78.3)
Proceeds from sale of property, plant and equipment and intangibles	-	0.3
Loan repayments received from customers	5.0	0.8
<b>Net cash flows used in investing activities</b>	<b>(549.4)</b>	<b>(516.8)</b>
<b>Cash flows from financing activities</b>		
Net cash flows from revolving bank facilities	35.0	447.0
Proceeds from borrowings	3,529.0	-
Repayment of borrowings	(2,536.2)	-
Settlement of dividends payable by business acquired	(235.0)	-
Dividends paid	(104.4)	(90.1)
Payment of transaction costs for share issue	(2.4)	-
Payment for on-market share purchase	(4.9)	-
<b>Net cash flows from financing activities</b>	<b>681.1</b>	<b>356.9</b>
Net increase/(decrease) in cash held	370.4	(17.0)
Effects of exchange rate changes on cash	0.1	-
Cash at beginning of period	114.3	126.0
<b>Cash at end of period</b>	<b>484.8</b>	<b>109.0</b>

*The cash flow statement should be read in conjunction with the accompanying notes.*

# STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

	Number of ordinary shares m	Issued capital		Accumulated losses \$m	Reserves			Total equity \$m
		Ordinary shares \$m	Treasury shares \$m		Hedging \$m	Demerger \$m	Other \$m	
<b>2017</b>								
<b>Balance at 1 July 2017</b>	<b>835.3</b>	<b>2,445.1</b>	<b>(0.6)</b>	<b>(270.3)</b>	<b>(24.2)</b>	<b>(669.9)</b>	<b>3.3</b>	<b>1,483.4</b>
Profit for the period	-	-	-	24.6	-	-	-	24.6
Other comprehensive income	-	-	-	-	1.6	-	(0.3)	1.3
<b>Total comprehensive income</b>	-	-	-	24.6	1.6	-	(0.3)	25.9
Dividends paid	-	-	-	(104.4)	-	-	-	(104.4)
Transfers	-	3.0	-	-	-	-	(3.0)	-
Restricted shares issued	-	-	(0.3)	-	-	-	-	(0.3)
Share based payments expense	-	-	0.4	-	-	-	1.6	2.0
Consideration for business combination	1,175.2	6,075.7	-	-	-	-	-	6,075.7
Transaction costs on business combination	-	(2.4)	-	-	-	-	-	(2.4)
Net outlay to purchase shares	-	(4.6)	-	-	-	-	-	(4.6)
<b>Balance at 31 December 2017</b>	<b>2,010.5</b>	<b>8,516.8</b>	<b>(0.5)</b>	<b>(350.1)</b>	<b>(22.6)</b>	<b>(669.9)</b>	<b>1.6</b>	<b>7,475.3</b>

Total issued capital	8,516.3
----------------------	---------

Total reserves	(690.9)
----------------	---------

<b>2016</b>								
<b>Balance at 1 July 2016</b>	<b>831.5</b>	<b>2,431.2</b>	<b>(0.6)</b>	<b>(46.3)</b>	<b>(31.4)</b>	<b>(669.9)</b>	<b>5.1</b>	<b>1,688.1</b>
Profit for the period	-	-	-	58.9	-	-	-	58.9
Other comprehensive income	-	-	-	-	5.4	-	(1.5)	3.9
<b>Total comprehensive income</b>	-	-	-	58.9	5.4	-	(1.5)	62.8
Dividends paid	-	-	-	(99.8)	-	-	-	(99.8)
Dividend reinvestment plan	1.9	9.7	-	-	-	-	-	9.7
Transfers	-	2.8	-	-	-	-	(2.8)	-
Restricted shares issued	0.3	1.4	(1.4)	-	-	-	-	-
Performance rights exercised	1.6	-	-	-	-	-	-	-
Share based payments expense	-	-	1.0	-	-	-	1.5	2.5
<b>Balance at 31 December 2016</b>	<b>835.3</b>	<b>2,445.1</b>	<b>(1.0)</b>	<b>(87.2)</b>	<b>(26.0)</b>	<b>(669.9)</b>	<b>2.3</b>	<b>1,663.3</b>

Total issued capital	2,444.1
----------------------	---------

Total reserves	(693.6)
----------------	---------

The statement of changes in equity should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**Tabcorp**

## ABOUT THIS REPORT

Tabcorp Holdings Limited (the Company) is a company domiciled in Australia. The general purpose condensed consolidated half year financial report (half year financial report) of the Company for the six months ended 31 December 2017 comprises the Company and its subsidiaries (the Group) and the Group's interest in joint arrangements and associates.

The half year financial report was authorised for issue by the Board of Directors on 8 February 2018 and has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies used are consistent with those applied in the 30 June 2017 financial report.

Note disclosures in this half year financial report have been grouped into the following four sections:

### **A Group performance and operating assets and liabilities**

- A1 Segment information
- A2 Dividends
- A3 Revenue and expenses
- A4 Subsequent events
- A5 Other assets and liabilities
- A6 Other intangible assets
- A7 Payables - non current

### **B Capital and risk management**

- B1 Interest bearing liabilities
- B2 Financial assets
- B3 Derivative financial instruments
- B4 Fair value measurement

### **C Group structure**

- C1 Business combinations
- C2 Disposal group held for sale
- C3 Investment in an associate

### **D Other disclosures**

- D1 Commitments
- D2 Contingent liabilities

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

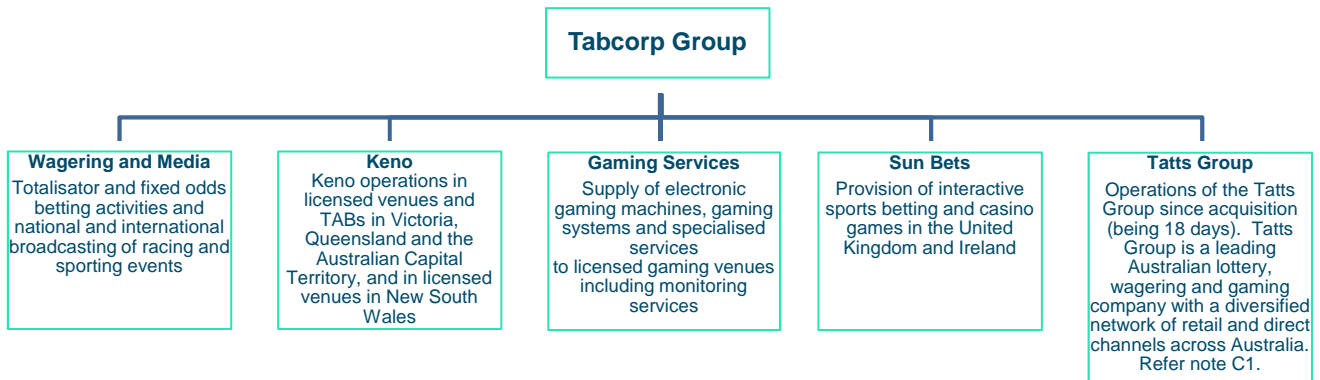
Tabcorp

## SECTION A - GROUP PERFORMANCE AND OPERATING ASSETS AND LIABILITIES

### A1 Segment information

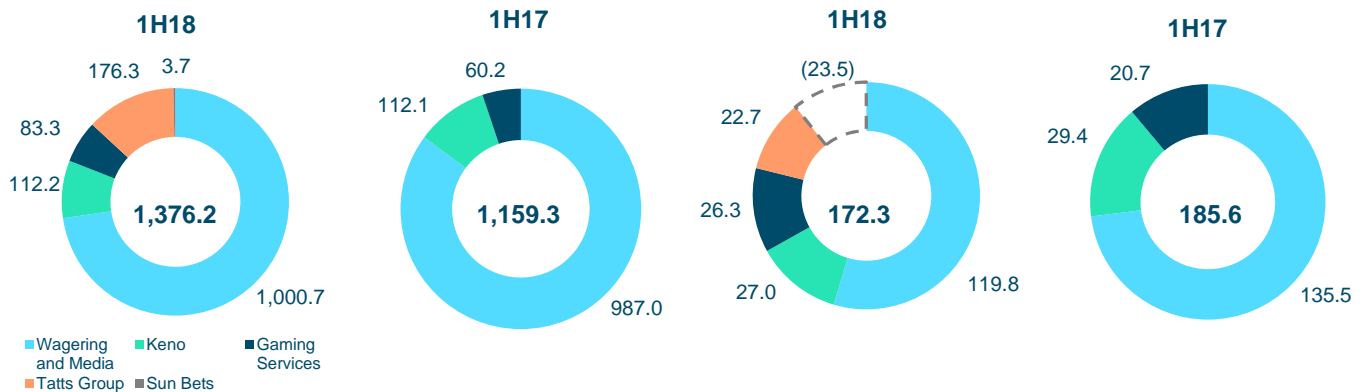
**Operating segments** reflect the business level at which financial information is provided to the Managing Director and Chief Executive Officer (Chief Operating Decision Maker), for decision making regarding resource allocation and performance assessment. The measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment. Inter-segment pricing is determined on commercial terms and conditions.

The Group has five operating segments at period end. Sun Bets was identified as an operating segment during the current period as it is no longer in an establishment phase. Tatts Group has been identified as a single segment due to the proximity of the acquisition to the period end and there has been no regular reporting to the Chief Operating Decision Maker of results at a lower level. Tabcorp's operating segments will be reassessed prior to 30 June 2018.



**Segment revenue \$m**

**Segment profit before interest and tax \$m**





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION A - GROUP PERFORMANCE AND OPERATING ASSETS AND LIABILITIES (CONTINUED)

### A1 Segment information (continued)

	Wagering and Media \$m	Keno \$m	Gaming Services \$m	Sun Bets \$m	Tatts Group \$m	Total \$m
<b>December 2017</b>						
Revenue - external customers	1,000.7	112.2	83.3	3.7	176.3	1,376.2
Segment profit/(loss) before interest and tax	119.8	27.0	26.3	(23.5)	22.7	172.3
<b>December 2016</b>						
Revenue - external customers	987.0	112.1	60.2	-	-	1,159.3
Segment profit before interest and tax	135.5	29.4	20.7	-	-	185.6
			<b>December 2017 \$m</b>	December 2016 \$m	<b>December 2017 \$m</b>	December 2016 \$m
<b>Reconciliation of segment revenue and profit</b>						
Segment revenue			1,376.2	1,159.3		
Segment profit before interest and tax					172.3	185.6
Unallocated items:						
- finance income			-	-	1.0	0.8
- finance costs <sup>(i)</sup>			-	-	(45.9)	(36.7)
- significant items:						
- net gain on cash-settled equity swap			-	-	110.3	11.5
- costs relating to the combination with Tatts Group <sup>(ii)</sup>			-	-	(69.4)	(9.1)
- Sun Bets onerous contract provision (refer note A3)			-	-	(49.0)	-
- establishment and start-up of Sun Bets			-	1.5	-	(22.8)
- other <sup>(iii)</sup>			-	-	(27.6)	(28.4)
- other			-	-	(2.5)	(1.9)
Total per income statement			1,376.2	1,160.8	89.2	99.0

(i) Includes financing costs relating to the cash-settled equity swap of \$6.3m (31 December 2016 \$0.9m).

(ii) Includes transaction costs per note C1 of \$47.0m (31 December 2016 \$9.1m).

(iii) Significant items - other: comprises costs relating to Luxbet closure of \$17.0m, loss on Odyssey divestment of \$6.3m, and impairment of Sun Bets business assets of \$4.3m.

Significant items - other: in the prior period comprised costs relating to the Intecq acquisition of \$4.1m and AUSTRAC civil proceedings of \$24.3m.

### A2 Dividends

	<b>December 2017 Cents per share</b>	December 2016 Cents per share	<b>December 2017 \$m</b>	December 2016 \$m
<b>Fully franked dividends declared and paid during the period:</b>				
Prior year final dividend	12.5	12.0	104.4	99.8
<b>Fully franked dividends determined in respect of the period:</b>				
Interim dividend	11.0	12.5	221.1	104.4
<b>Fully franked dividends declared after balance date to be recognised in subsequent period:</b>				
Interim dividend	11.0	12.5	221.1	104.4

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**Tabcorp**

## SECTION A - GROUP PERFORMANCE AND OPERATING ASSETS AND LIABILITIES (CONTINUED)

	December 2017	December 2016
	\$m	\$m
<b>A3 Revenue and expenses</b>		
<b>(a) Other income</b>		
Net gain on cash-settled equity swap	110.3	11.5
Net loss on disposal of non current assets	(0.3)	-
Net loss on disposal of subsidiaries	(6.3)	-
Other	0.8	(0.1)
	<u>104.5</u>	<u>11.4</u>
<b>(b) Impairment</b>		
Plant and equipment	1.2	-
Other intangible assets - software	13.6	-
Other intangible assets - other	3.3	-
	<u>18.1</u>	<u>-</u>
<b>(c) Other expenses include:</b>		
Onerous contract provision <sup>(i)</sup>	49.0	-

(i) Comprises provision raised in relation to contractual obligations for Sun Bets.

### A4 Subsequent events

Other than the events disclosed elsewhere in this report, no additional matters or circumstances have arisen since the end of the half year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

	December 2017	June 2017
	\$m	\$m
<b>A5 Other assets and liabilities</b>		
<b>(a) Current assets</b>		
SA Lotteries monies held in trust	59.8	-
Other	28.0	50.3
	<u>87.8</u>	<u>50.3</u>
<b>(b) Current liabilities</b>		
SA Lotteries monies held in trust	59.8	-
Other	8.8	8.9
	<u>68.6</u>	<u>8.9</u>

### A6 Other intangible assets

Goodwill <sup>(i)</sup>	8,756.6	1,512.6
Other intangible assets	727.8	545.5
	<u>9,484.4</u>	<u>2,058.1</u>

(i) Goodwill movement:

Carrying amount at beginning of period		1,512.6	1,431.8
Acquisition via business combinations	C1	7,249.8	80.8
Disposals		(5.6)	-
Other		(0.2)	-
Carrying amount at end of period		<u>8,756.6</u>	<u>1,512.6</u>

### A7 Payables - non current

Other payables	<u>232.1</u>	<u>-</u>
----------------	--------------	----------

Non current payables have arisen due to the combination with Tatts Group.

**Non current payables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION B - CAPITAL AND RISK MANAGEMENT

### B1 Interest bearing liabilities

The Group borrows money from financial institutions and debt investors in the form of bank loans, subordinated notes and foreign currency denominated notes.

The following table details the debt position of the Group at 31 December:

Facility	Details	Facility limit \$m	Maturity	December 2017 \$m	June 2017 \$m
Bank loans - unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to gearing and interest cover.	650.0	Jun-18	650.0	-
		100.0	Feb-19	-	-
		1,800.0	Dec-19	1,797.9	-
		633.3	Dec-20	630.2	-
		633.3	Dec-21	142.3	-
		633.4	Dec-22	-	-
		4,450.0			
		575.0	n/a	-	574.8
		250.0	n/a	-	-
		400.0	n/a	-	399.5
150.0	n/a	-	9.8		
400.0	n/a	-	388.8		
		1,775.0		3,220.4	1,372.9
US private placement	Fixed interest rate US dollar debt. Aggregate US dollar principal of \$390.0m. Cross currency swaps in place for all US dollar debt. Under these swaps the Australian dollar amounts payable at maturity is \$382.0m.	USD 87.0	Apr-19	111.3	112.9
		USD 170.0	Dec-20 <sup>(i)</sup>	229.0	-
		USD 133.0	Apr-22	169.9	172.5
				510.2	285.4
Bonds	Floating rate interest 90 day BBSW +3.1% paid quarterly in arrears.	194.7	Jul-19 <sup>(i)</sup>	199.2	-
				3,929.8	1,658.3
Current				1,078.2	974.3
Non current				2,851.6	684.0
				3,929.8	1,658.3

(i) The Bonds and USPP notes maturing in December 2020 were acquired through the Tatts Group combination and are disclosed as current. Holders of these Bonds and USPP notes were entitled to require redemption of their investments as the Tatts Group combination resulted in a change of control event. Both control event redemption periods ceased in January and no material redemptions were received.

### B2 Financial assets

**Available for sale financial assets** include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available for sale financial assets are subsequently carried at fair value (refer to note B4). Changes in the fair value are recognised in other comprehensive income and accumulated in a reserve within equity.

**Held to maturity investments** are measured at amortised cost.

	December 2017 \$m	June 2017 \$m
<b>(a) Available for sale financial assets</b>		
Unlisted investments - managed fund investment	20.6	-
<b>(b) Held to maturity investments</b>		
Investment - term deposits	55.0	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION B - CAPITAL AND RISK MANAGEMENT (CONTINUED)

### B3 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B4):

	December 2017 \$m	June 2017 \$m
<b>Current assets</b>		
Cross currency swaps	4.3	2.6
Cash-settled equity swap	654.9	293.6
Equity derivative	3.8	-
	<b>663.0</b>	<b>296.2</b>
<b>Non current assets</b>		
Interest rate swaps	8.6	3.1
Cross currency swaps	116.7	77.2
	<b>125.3</b>	<b>80.3</b>
<b>Current liabilities</b>		
Interest rate swaps	24.9	19.8
Cross currency swaps	2.1	2.1
Open betting positions	5.1	10.5
	<b>32.1</b>	<b>32.4</b>
<b>Non current liabilities</b>		
Interest rate swaps	23.9	30.6
	<b>56.0</b>	<b>63.0</b>

#### B3.1 Cash-settled equity swap

During the prior year the Group entered into a cash-settled equity swap with an investment bank in respect of circa 147 million shares in Tatts Group representing approximately 10% of Tatts Group shares on issue. This transaction was intended to help facilitate the combination of Tabcorp and Tatts Group. The swap had an average reference price of \$4.34 per Tatts Group share, and provided the Group with voting rights (subject to certain conditions) over any Tatts Group shares the investment bank held in connection with the swap. During the term of the swap the Group was entitled to receive payments equivalent to any cash dividends paid by Tatts Group in respect of 147 million shares. From 13 December 2017, the referenced share price of the swap was automatically amended to refer to Tabcorp shares, instead of Tatts Group shares. As a result, from this date onwards the eventual gain or loss on the swap over the period the swap is unwound will depend on Tabcorp's share price. At 31 December 2017 the swap represents circa 117 million shares in Tabcorp, and is currently in the process of being unwound, which is expected to be finalised by 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION B - CAPITAL AND RISK MANAGEMENT (CONTINUED)

### B4 Fair value measurement

The fair value of financial assets and financial liabilities are estimated for recognition, measurement and disclosure purposes at each balance date. Various methods are available to estimate the fair value of a financial instrument and comprise:

- Level 1 - calculated using quoted prices in active markets.
- Level 2 - estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - estimated using inputs for the asset or liability that are not based on observable market data.

The carrying amount of financial assets or liabilities recognised in the financial statements are deemed to be the fair value unless stated below:

	Carrying amount		Fair value	
	December 2017	June 2017	December 2017	June 2017
	\$m	\$m	\$m	\$m
<b>Financial liabilities</b>				
US private placement	511.1	286.0	526.2	305.4
Tatts Bonds	200.1	-	196.9	-
	<b>711.2</b>	<b>286.0</b>	<b>723.1</b>	<b>305.4</b>

The fair value of the Group's financial instruments are estimated as follows:

#### *US private placement*

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to foreign exchange rates at balance date (level 2 in fair value hierarchy).

#### *Tatts Bonds*

Fair value is determined using independent market quotations (level 1 in fair value hierarchy).

#### *Cross currency and interest rate swaps*

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date (level 2 in fair value hierarchy).

#### *Cash-settled equity swap*

Fair value is calculated with reference to market data at initiation of the swap and at balance date (level 2 in fair value hierarchy), combined with the value of collateral paid to the counterparty.

#### *Available for sale financial assets*

Fair value is reference to market prices prevailing at balance date (level 2 in fair value hierarchy).

#### *Equity derivative*

Fair value is calculated using the Black Scholes Discrete model (level 2 in fair value hierarchy).

There have been no significant transfers between level 1 and level 2 during the half year ended 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION C - GROUP STRUCTURE

### C1 Business combinations

#### Acquisition of Tatts Group Limited

In December 2017, the Group purchased 100% of the ordinary shares of Tatts Group Limited (Tatts Group), through a scheme of arrangement between Tatts Group and its members. Tatts Group is a leading Australian lottery, wagering and gaming company with a diversified network of retail and direct channels across Australia. The acquisition creates a leading, diversified portfolio of gambling entertainment businesses. The accounting for the Tatts Group acquisition has been provisionally determined as at 31 December 2017, as the process of fair valuing Tatts Group's net assets is still in progress.

#### (a) Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Tatts Group as at the date of the acquisition have been provisionally determined as follows:

	December 2017 \$m
Cash and cash equivalents	178.6
Receivables	54.3
Prepayments	27.9
Derivative financial instruments	73.6
Other assets	60.3
Investment in an associate	22.8
Available for sale financial assets	20.5
Held to maturity investments	55.0
Property, plant and equipment	167.4
Licences	1,013.8
Other intangible assets	184.1
Payables	(762.3)
Interest bearing liabilities	(1,272.1)
Current tax liabilities	(4.5)
Deferred tax liabilities	(268.8)
Provisions	(269.0)
Other liabilities	(66.4)
<b>Net identifiable assets/(liabilities) acquired</b>	<b>(784.8)</b>
Goodwill arising on acquisition <sup>(i)</sup>	7,249.8
<b>Purchase consideration transferred</b>	<b>6,465.0</b>

(i) Goodwill recognised is primarily attributable to the expected synergies and other benefits from combining the assets and activities of Tatts Group with those of the Group. Goodwill includes the value of intangible assets and tax balances for which the fair values had not been finalised at 31 December 2017. The goodwill is not deductible for tax purposes.

#### (b) Purchase consideration

Consideration for the acquisition was 0.8 new shares of the Company and \$0.425 cash per Tatts Group share less the amount of any Tatts Group special dividend paid per share. Tatts Group shareholders received a special dividend of \$0.16 per share, reducing the cash consideration payable by the Company from \$0.425 to \$0.265 per Tatts Group share. The Company issued 1,175 million shares at a fair value of \$5.17 per share as part of the purchase consideration.

	\$m
Cash	389.3
Shares Issued	6,075.7
<b>Total purchase consideration</b>	<b>6,465.0</b>

#### (c) Acquisition costs

Transaction costs of \$47.0 million have been expensed and are disclosed as 'Transaction costs - combination with Tatts Group' in the income statement and comprise:

	2017 \$m	2016 \$m
Consultancy and legal costs	31.2	9.1
Debt related costs	15.4	-
Other expenses	0.4	-
<b>Total transaction costs</b>	<b>47.0</b>	<b>9.1</b>

Costs attributable to the issuance of shares of \$2.4 million have been charged directly to equity as a reduction in issued capital.

#### (d) Revenue and profit contribution

Since the date of acquisition, Tatts Group has contributed \$176.3 million revenue and \$18.0 million profit before income tax expense. If the acquisition had taken place at the beginning of the period, the Group's revenue and profit before income tax expense would have been \$2,671.9 million and \$218.1 million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Tabcorp

## SECTION C - GROUP STRUCTURE (CONTINUED)

### C2 Disposal group held for sale

On 12 December 2017, the Group completed the sale of its Odyssey Gaming Services business (by way of the sale of 100% of the shares of Odyssey Gaming Limited), which was classified as held for sale at 30 June 2017.

### C3 Investment in an associate

Investment in Jumbo Interactive Ltd

December 2017 \$m	June 2017 \$m
22.9	-

An **associate** is an entity over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating decisions of the investee. Investments in associates are accounted for using the equity method.

## SECTION D - OTHER DISCLOSURES

### D1 Commitments

The combination with Tatts Group during the period resulted in the following additional commitments:

#### (a) Capital expenditure commitments

Property, plant and equipment

December 2017 \$m
11.4
11.4

#### (b) Operating lease commitments

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

21.1
51.0
94.7
166.8

### D2 Contingent liabilities

Since the last annual reporting date, the material changes in contingent liabilities are:

#### Tatts Group Limited merger reimbursement fees

Following the implementation of the combination with Tatts Group, the contingency disclosed at 30 June 2017 is no longer required.

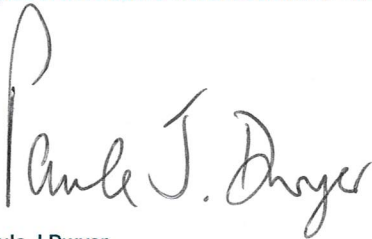
# DIRECTORS' DECLARATION

**Tabcorp**

In the opinion of the Directors of Tabcorp Holdings Limited:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



**Paula J Dwyer**  
Chairman



**David R H Attenborough**  
Managing Director and Chief Executive Officer

Melbourne  
8 February 2018



## Independent Auditor's Review Report to the Members of Tabcorp Holdings Limited Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Tabcorp Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

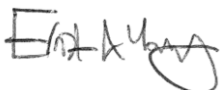
### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

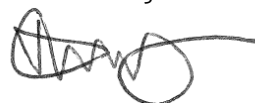
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



David Shewring  
Partner  
Melbourne  
8 February 2018

# COMPANY DIRECTORY

**Tabcorp**

## **Registered office**

Tabcorp Holdings Limited  
Level 21, Tower 2  
727 Collins St  
Docklands VIC 3008  
Australia

Telephone 03 9868 2100  
Facsimile 03 9868 2300  
Email [enquiries@tabcorp.com.au](mailto:enquiries@tabcorp.com.au)

## **Share registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

Telephone 1300 665 661  
Telephone 02 8280 7418  
Facsimile 02 9287 0303  
Email [tabcorp@linkmarketservices.com.au](mailto:tabcorp@linkmarketservices.com.au)  
Website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## **Corporate information**

The Company is a company limited by shares that is incorporated and domiciled in Australia.

## **Stock exchange listings**

The Company's ordinary shares are quoted on the Australian Securities Exchange under the code TAH.

Tatts Bonds, issued by Tatts Group Limited, a wholly owned subsidiary of the Company, are quoted on the Australian Securities Exchange under the code TTSHA.

## **Annual Reports**

The Company's Annual Reports are available from the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

## **Currency**

References to currency are in Australian dollars unless otherwise stated.

8 February 2018

Australian Securities Exchange  
Companies Announcements Platform  
20 Bridge Street  
Sydney NSW 2000

## TABCORP HALF YEAR RESULTS PRESENTATION

Attached is the presentation regarding Tabcorp's half year results ended 31 December 2017 to be presented by David Attenborough, Managing Director and Chief Executive Officer.

This presentation will be webcast on Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) from 10.00am (Melbourne time) today.

The information contained in this announcement should be read in conjunction with today's announcement of Tabcorp's half year results and Tabcorp's most recent Annual Report.

Yours faithfully



**Fiona Mead**  
Group Company Secretary

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC Australia 3001	tabcorp.com.au ABN 66 063 780 709
-----------------------------	---	---	--------------------------------------

TABCORP HOLDINGS LIMITED  
2017/18 FIRST HALF RESULTS PRESENTATION

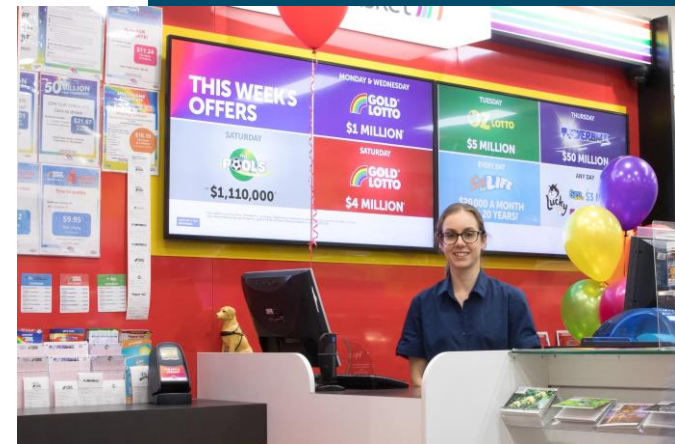
8 FEBRUARY 2018  
ABN 66 063 780 709

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# RESHAPING TABCORP

- Tabcorp and Tatts combination completed in December 2017
  - Creates a world-class, diversified gambling entertainment group
  - Large national footprint and a diverse product offering across Wagering & Media, Lotteries & Keno, and Gaming Services
  - Combined Executive Leadership Team appointed
  - Integration progressing to plan
  - At least \$130m per annum of EBITDA synergies and business improvement benefits planned to be delivered in the first full year following integration. Integration is planned to take approximately 2 years
- Strategic investments to enhance competitive position in Australian gambling market
  - New wagering venue partnerships, including digital commissions
  - Improved digital capability and customer experience
  - Strengthened regulatory compliance and risk management capability across all businesses
  - Well placed to compete in evolving regulatory landscape
- Luxbet ceased operations and Odyssey Gaming Services divested
- Sun Bets business remains under review



Tabcorp

# 1H18 OVERVIEW – TABCORP<sup>1,2</sup>

- Statutory results
  - Revenues \$1,376.2m, up 18.7%
  - NPAT \$24.6m, down 58.2%
  - EPS<sup>3</sup> 2.6 cents per share, down 63.4%
  - NPAT and EPS adversely impacted by significant items after tax of \$57.4m
- Results before significant items
  - Revenues \$1,376.2m, up 18.7%
  - EBITDA \$269.6m, down 0.3%
  - NPAT \$82.0m, down 20.2%
  - EPS<sup>3</sup> 8.6 cents per share, down 30.1%
- Interim dividend 11.0 cents per share, fully franked
- Operational highlights
  - Completion of combination with Tatts
  - TAB business reported 3.1% turnover growth driven by a 16.5% uplift in digital turnover and strong customer acquisition
  - Gaming Services delivered double digit earnings growth, with Intecq now fully integrated
  - Keno turnover growth of 3.5% 2Q18 with momentum building in digital sales

1. *Tabcorp results include 18 days contribution from Tatts Group from 14 December 2017, refer to slide 7 for further details*

2. *Tabcorp results before significant items include the Sun Bets operating result in 1H18*

3. *EPS calculated using weighted average shares for the period*

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38



# GROUP RESULTS<sup>1,2</sup>

\$m	1H18	1H17	Change
Revenues	1,376.2	1,159.3	18.7%
Variable contribution	568.7	521.5	9.1%
Operating expenses	(299.1)	(251.1)	19.1%
<b>EBITDA before significant items</b>	<b>269.6</b>	<b>270.4</b>	(0.3%)
D&A	(99.8)	(86.7)	15.1%
<b>EBIT before significant items</b>	<b>169.8</b>	<b>183.7</b>	(7.6%)
Interest	(38.7)	(34.9)	10.9%
Tax expense	(49.1)	(46.1)	6.5%
<b>NPAT before significant items</b>	<b>82.0</b>	<b>102.7</b>	(20.2%)
Significant items (after tax) <sup>3</sup>	(57.4)	(43.8)	31.1%
<b>Statutory NPAT</b>	<b>24.6</b>	<b>58.9</b>	(58.2%)

1. Results include 18 days contribution from Tatts from 14 December 2017, refer to slide 7 for further details
2. Sun Bets was treated as a significant item in 1H17, refer to slide 12 for further details
3. Significant items (after tax) of \$57.4m comprise Tatts Group acquisition related costs \$59.3m, Sun Bets onerous contract provision \$49.0m, Sun Bets impairment \$3.2m, Luxbet closure costs \$12.4m, loss on Odyssey divestment \$6.3m, partly offset by the net gain on the cash-settled equity swap \$72.8m

# BUSINESS RESULTS

\$m	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Sun Bets <sup>2</sup>	Change on pcp	Tatts <sup>3</sup>	Change on pcp	Group	Change on pcp
Revenues	1,000.7	1.4%	83.3	38.4%	112.2	0.1%	3.7	n/a	176.3	n/a	1,376.2	18.7%
Variable contribution	391.6	(1.5%)	75.6	28.8%	63.1	(3.1%)	(10.9)	n/a	49.3	n/a	568.7	9.1%
Operating expenses	(209.8)	4.1%	(29.3)	29.1%	(23.9)	(4.0%)	(11.6)	n/a	(22.0)	n/a	(299.1)	19.1%
<b>EBITDA</b>	<b>181.8</b>	(7.3%)	<b>46.3</b>	28.6%	<b>39.2</b>	(2.5%)	<b>(22.5)</b>	n/a	<b>27.3</b>	n/a	<b>269.6</b>	(0.3%)
D&A	(62.0)	2.3%	(20.0)	30.7%	(12.2)	13.0%	(1.0)	n/a	(4.6)	n/a	(99.8)	15.1%
<b>EBIT</b>	<b>119.8</b>	(11.6%)	<b>26.3</b>	27.1%	<b>27.0</b>	(8.2%)	<b>(23.5)</b>	n/a	<b>22.7</b>	n/a	<b>169.8</b>	(7.6%)
Opex / Revenue (%) <sup>1</sup>	21.0%	0.5%	35.2%	(2.6%)	21.3%	(0.9%)	>100%	n/a	12.5%	n/a	21.7%	0.1%
EBIT / Revenue (%)	12.0%	(1.8%)	31.6%	(2.9%)	24.1%	(2.2%)	>100%	n/a	12.9%	n/a	12.3%	(3.5%)
Capex	33.9	(11.7%)	33.8	33.1%	4.9	(44.9%)	6.4	n/a	NM	n/a	79.0	8.7%

1. The opex to revenue ratio excluding Sun Bets and Tatts was 22.2%
2. Sun Bets was treated as a significant item in 1H17, refer to slide 12 for further details
3. Results include 18 days contribution from Tatts from 14 December 2017. Tatts Group has been identified as a single segment due to the proximity of the acquisition to the period end. Tabcorp's operating segments will be reassessed prior to 30 June 2018

Note: Business results do not aggregate to Group total due to unallocated items and intercompany eliminations

# WAGERING & MEDIA

\$m	1H18	1H17	Change
Wagering revenue	911.5	897.9	1.5%
Media revenue	89.2	89.1	0.1%
<b>Revenues</b>	<b>1,000.7</b>	<b>987.0</b>	<b>1.4%</b>
Variable contribution	391.6	397.7	(1.5%)
Operating expenses	(209.8)	(201.6)	4.1%
<b>EBITDA</b>	<b>181.8</b>	<b>196.1</b>	<b>(7.3%)</b>
<b>EBIT</b>	<b>119.8</b>	<b>135.5</b>	<b>(11.6%)</b>
Returns to the Racing Industry	443.0	430.7	2.9%

- Wagering revenue growth ex-Luxbet up 2.6%
- Continued investment in product and content
  - Multiplier launched during the Spring Racing Carnival, strengthening the TAB value proposition
  - Sky Sports 1 & 2 broadcasting EPL (and 2018 FIFA World Cup) rolled out to 4,000 retail venues
- Variable contribution reflects investment in strategic venue partnerships, the rollout of digital commissions (implemented 2Q17) and higher racing payments
- Opex growth of 4.1% driven by increased customer acquisition activity and legal costs (including CrownBet retail challenge)
- Luxbet strategic review completed
  - Ceased operations in December 2017 reflecting focus on core TAB businesses
  - EBIT loss \$7.8m



# TAB: KPIs

\$m	1H18	1H17	Change %
<b>Turnover by distribution (\$m)</b>			
Retail	3,192.6	3,302.5	(3.3%)
Digital	2,555.0	2,192.5	16.5%
Call Centre	194.7	247.2	(21.2%)
Other	558.8	565.5	(1.2%)
<b>Revenue by product (\$m)</b>			
TAB Racing			
- Totalisator	561.6	594.2	(5.5%)
- Fixed Odds	361.5	311.3	16.1%
Total TAB Racing	923.1	905.5	1.9%
TAB Sports			
Trackside	39.9	44.2	(9.6%)
<b>Other KPIs</b>			
FO Racing yield	15.3%	15.6%	(0.3%)
FO Sports yield	15.1%	13.8%	1.3%
TAB Active Customers	499,500	466,000	7.2%
% Digital from mobile	71.0%	67.8%	3.2%

Notes:

- Other turnover includes Oncourse, Premium Customers and PGI
- Turnover and revenue includes Victorian Racing Industry interest
- TAB Active Customers are measured on a rolling 12 month basis

- Digital turnover growth of 16.5%, driving total turnover growth of 3.1%
  - Digital turnover from mobile now represents 71.0% of total digital turnover (67.8% in 1H17)
- Active TAB account customers up 7.2% driven by 17.1% growth in new customer acquisition and good retention rates
- TAB Fixed Odds revenue growth of 14.4%, including 16.1% growth in racing
- TAB Racing revenues underpinned by growth in Fixed Odds
  - Fixed Odds racing yields lower than the pcp impacted by softer yields in 2Q18
- TAB Sports revenues benefited from high yields driven in part by continued growth in international sports



# GAMING SERVICES

\$m	1H18	1H17	Change
Revenues	83.3	60.2	38.4%
EBITDA	46.3	36.0	28.6%
EBIT	26.3	20.7	27.1%

- Gaming Services benefited from 6 months of Intecq trading compared to 1 month in the pcp
- TGS
  - Approximately 10,550 EGMs under contract (Vic 8,600; NSW 1,950), with 89% of Victorian EGMs contracted through to 2022
  - TGS venues continue to outperform the market
- Intecq
  - Intecq integration completed
  - Business covers approximately 57,600 EGMs across loyalty and value-added systems in Victoria, NSW, Queensland and Tasmania
  - Odyssey divested December 2017; EBITDA contribution of \$1.3m in 1H18



# KENO

\$m	1H18	1H17	Change
Revenues	112.2	112.1	0.1%
EBITDA	39.2	40.2	(2.5%)
EBIT	27.0	29.4	(8.2%)
Venues	3,631	3,599	0.9%
Ticket Count (m)	52.8	52.3	1.0%
Avg ticket size (\$)	11.5	11.8	(3.0%)
Digital Accounts	33,500	2,700	>100%

- Turnover down 1.9% on the pcp, impacted by an unfavourable jackpot sequence, particularly in 1Q18
  - 1Q18 down 6.8%
  - 2Q18 up 3.5%
- Revenue up 0.1% on the pcp
- Digital turnover (ACT and NSW in-venue) now represents 2.9% of total turnover (0.4% in 1H17)
- NSW annual licence fee payments commenced 1 July 2017 (full year impact \$3m)<sup>1</sup>



# SUN BETS

\$m	1H18	1H17	Change
Turnover	158.3	96.8	63.5%
Revenues	3.7	1.5	>100%
Variable contribution	(10.9)	(6.5)	67.7%
EBITDA	(22.5)	(21.3)	5.6%
EBIT	(23.5)	(22.8)	3.1%
Number of customers	131,000	85,000	54.1%

Note: Sun Bets results for 1H17 were reported as a significant item as the business was in the establishment phase, 1H17 has been restated to show a like-for-like comparison



- Sun Bets performance remained unsatisfactory in 1H18, despite a better trading performance in 2Q18
- A number of new product and customer initiatives were introduced including improved integration of Dream Team, enhancements to the sportsbook and casino offerings, and implementation of revised marketing and CRM strategies, however these initiatives have not gained traction
- Our minimum payment obligations to News UK are £35.7m (including VAT) to 31 December 2019<sup>1</sup>
- Significant items have been raised in respect of:
  - Sun Bets onerous contract provision of \$49.0m
  - Impairment of business assets of \$4.3m (\$3.2m after tax)
- Sun Bets business remains under review

1. If the Sun Bets business does not achieve revenue equivalent to the minimum fees payable to News UK in FY19, then in certain circumstances Tabcorp may terminate the agreement with effect from 31 December 2019. See Section 13.3(H) of the Tatts scheme book published 8 September 2017 for further details



# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38



## TATTS 1H18 OVERVIEW

- Slides 14 to 19 of this presentation include additional details of Tatts Group's results for the first half of the 2018 financial year which includes the trading period prior to acquisition by Tabcorp<sup>1</sup>
- Statutory result: NPAT of \$102.4m, down 16.6% - impacted by significant items (after tax) of \$25.5m
- Results before significant items:
  - Revenue \$1,481.9m, up 4.4%
  - EBITDA \$244.4m, up 1.9%
  - NPAT \$127.9m, up 2.1%
- Significant items for the period:
  - Merger costs of \$36.4m (\$25.5m after tax)
- Operational highlights
  - Lotteries revenues up 6.2% with both digital and retail sales seeing positive growth
  - UBET digital turnover up 13.8%, fixed odds revenue growth up 3.8%
  - Gaming Services revenues up 4.8% benefiting from growth in value-added services

1. *The Tatts Group 1H18 information is subject to review by the Tatts Group external auditors. It is expected that the Tatts Group 1H18 Interim Financial Report will be finalised by March 2018, following completion of a review of the carrying value of assets and resetting of tax balances as a consequence of joining the Tabcorp tax consolidated group following the combination with Tabcorp*

# TATTS GROUP RESULTS<sup>1</sup>

\$m	1H18	1H17	Change
<b>Total revenue and other income</b>	<b>1,481.9</b>	<b>1,419.5</b>	4.4%
Government share	(702.1)	(655.9)	7.0%
Venue share/commission	(213.9)	(208.1)	2.8%
Product and program fees	(96.1)	(107.1)	(10.4%)
Other expenses	(225.4)	(208.5)	8.0%
<b>Total expenses</b>	<b>(1,237.5)</b>	<b>(1,179.6)</b>	<b>4.9%</b>
<b>EBITDA before significant items</b>	<b>244.4</b>	<b>239.9</b>	<b>1.9%</b>
Depreciation & amortisation	(40.1)	(39.8)	0.7%
<b>EBIT before significant items</b>	<b>204.3</b>	<b>200.1</b>	2.1%
Share of net profit of associate	0.6	-	-
Interest	(21.5)	(24.0)	(10.4%)
<b>Profit before tax</b>	<b>183.4</b>	<b>176.1</b>	4.1%
Tax expense	(55.5)	(50.8)	9.2%
<b>NPAT before significant items</b>	<b>127.9</b>	<b>125.3</b>	2.1%
Significant items (after tax)	(25.5)	(1.8)	>100%
Discontinued operations	-	(0.7)	(>100%)
<b>Statutory NPAT</b>	<b>102.4</b>	<b>122.8</b>	(16.6%)

The Tatts results in this presentation have been adjusted to reflect Tabcorp accounting methodology in respect of the following three items:

1. New lease costs for Brisbane office included in results before significant items - \$5.5m (\$3.9m after tax)
2. Lottery public campaign costs included in results before significant items - \$4.9m (\$3.5m after tax)
3. Gain on sale of Newstead property in 1H17 reclassified to significant items – \$5.5m (\$5.5m after tax)

Before these adjustments:

- EBITDA growth would have been 3.8%
- NPAT before significant items growth would have been 3.5%

1. The Tatts Group 1H18 information is subject to review by the Tatts Group external auditors. It is expected that the Tatts Group 1H18 Interim Financial Report will be finalised by March 2018, following completion of a review of the carrying value of assets and resetting of tax balances as a consequence of joining the Tabcorp tax consolidated group following the combination with Tabcorp

# TATTS BUSINESS RESULTS

<b>\$m</b>	<b>Lotteries</b>	<b>Change on pcp</b>	<b>Wagering</b>	<b>Change on pcp</b>	<b>Gaming Services</b>	<b>Change on pcp</b>	<b>Group</b>	<b>Change on pcp</b>
Revenue	1,081.2	6.2%	311.1	(2.0%)	91.8	4.8%	1,481.9	4.4%
EBITDA	161.1	10.8%	55.9	(10.1%)	35.4	9.5%	244.4	1.9%
EBIT	142.7	12.6%	41.5	(17.9%)	28.3	23.6%	204.3	2.1%
EBITDA/Revenue (%)	14.9%	0.6%	18.0%	(1.6%)	38.6%	1.7%	16.5%	(0.4%)
EBIT/Revenue (%)	13.2%	0.7%	13.3%	(2.6%)	30.8%	4.7%	13.8%	(0.3%)
Capex							52.3	74.9%

1. Corporate costs have been allocated across the segments based on relative EBITDA contribution
2. Unallocated items include new lease costs for Brisbane office \$5.5m, lottery public campaign costs \$4.9m and Jumbo Interactive gain \$2.3m
3. SA Keno has been reclassified from the Wagering segment to Lotteries

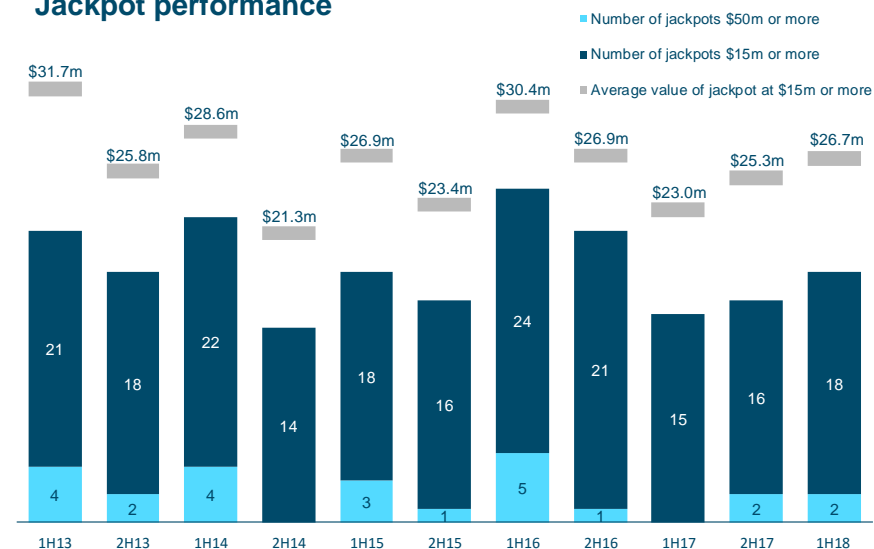
Note: Business results do not aggregate to Group total due to unallocated items and intercompany eliminations

# TATTS LOTTERIES

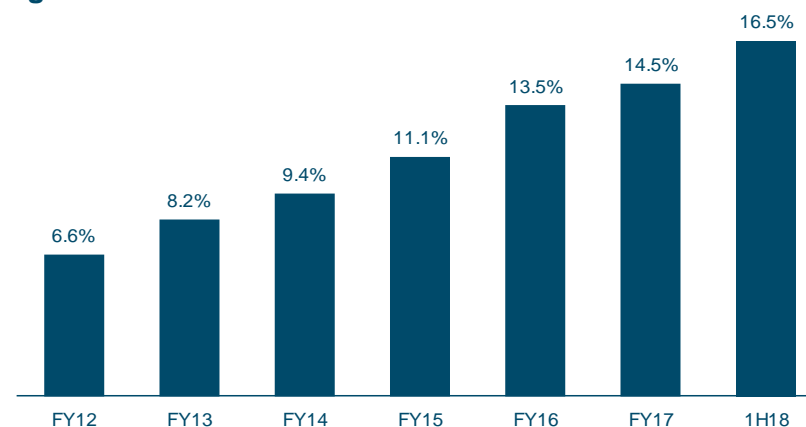
\$m	1H18	1H17	Change
Revenues	1,081.2	1,018.4	6.2%
EBITDA	161.1	145.4	10.8%
EBIT	142.7	126.7	12.6%

- Revenue up 6.2% on strong jackpot performance vs. pcp
  - 18 jackpots at or above \$15m vs 15 in pcp
  - 2 jackpots at \$50m or more vs. 0 in pcp
  - 1st division jackpot pool at or above \$15m - \$480m vs \$345m in pcp
- EBITDA margin up to 14.9% from 14.3% primarily driven by strong growth in digital sales
- Lottery digital sales now represent 16.5%<sup>1</sup> of total lottery sales, up from 13.5%<sup>1</sup> in 1H17
- Positive revenue growth in retail network
- New Victorian lotteries licence commences 1 July 2018

## Jackpot performance



## Digital share of sales



# TATTS WAGERING

\$m	1H18	1H17	Change
Turnover	2,019.6	2,040.7	(1.0%)
Revenues	311.1	317.5	(2.0%)
EBITDA	55.9	62.2	(10.1%)
EBIT	41.5	50.5	(17.9%)
Yield	15.4%	15.6%	(0.2%)

- Turnover down 1% on the pcp
  - Digital turnover up 13.8% on the pcp
  - Active customers up 14.7% on the pcp
  - Cash handling self-service terminals (SST) rolled out in period
  - Overall SST turnover represents 4.1% of retail turnover (1H17: 1.6%)
- Wagering revenue down 2% on the pcp, impacted by lower Fixed Odds yields across racing and sport

\$m	1H18	1H17	Change
<b>Turnover by distribution (\$m)</b>			
Retail	1,072.6	1,135.4	(5.5%)
Digital	655.5	576.2	13.8%
Call Centre	86.2	97.6	(11.6%)
Other	205.3	231.5	(11.5%)

## Revenue by product (\$m)

<b>Racing</b>			
- Totalisator	149.7	159.8	(6.3%)
- Fixed Odds	124.9	120.7	3.5%
Total Racing	274.6	280.5	(2.1%)
Sports	17.3	16.3	6.1%

## Other KPIs

FO Racing yield	13.5%	13.9%	(0.4%)
FO Sports yield	10.1%	10.9%	(0.8%)
UBET Active Customers	164,000	143,000	14.7%
% Digital from mobile	53.9%	45.9%	8.0%

## TATTS GAMING SERVICES

\$m	1H18	1H17	Change
Revenues	91.8	87.6	4.8%
EBITDA	35.4	32.4	9.5%
EBIT	28.3	22.9	23.6%
Machines monitored	129,950	131,155	(0.9%)
Venues monitored	3,559	3,629	(1.9%)
MAXconnect installations	16,548	15,740	5.1%
TITO installations	10,583	7,427	42.5%

- Revenue up 4.8% reflecting contracted increases in monitoring fees, increased uptake of MAXconnect, and increased TITO installations
- Business mix (revenue) 52% monitoring, 24% value-added services, 24% EGM maintenance
- Successful roll-out of new MAXsys monitoring system in New South Wales
  - New Centralised Monitoring System (CMS) licence commenced 1 December 2017

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# 1H18 OVERVIEW – PRO-FORMA COMBINED GROUP

- Group pro-forma<sup>1</sup> results before significant items
  - Revenues \$2,666.2m, up 3.1%
  - EBITDA \$485.4m, down 1.2%
  - EBIT \$350.8m, down 3.1%
- Operational highlights
  - Lotteries & Keno revenues up 5.6% with both digital and retail sales seeing positive growth
  - Wagering digital turnover up 16.0%, fixed odds revenue growth up 11.7%
  - Gaming Services revenues up 3.5% benefiting from new contracts and growth in value-added services
- Group pro-forma results reinforce strategic rationale for the combination
  - Diversification benefits across Wagering & Media, Lotteries & Keno and Gaming Services
  - Significant technology, product, customer and channel opportunities from integration

1. Pro-forma results include various adjustments to IFRS financial information, including 6 months of Tabcorp and Tatts results in 1H18 and 1H17, refer to slide 22 for further details



# PRO-FORMA COMBINED GROUP BUSINESS RESULTS

\$m	Wagering & Media	Change on pcp	Lotteries & Keno	Change on pcp	Gaming Services	Change on pcp	Sun Bets	Change on pcp	Group <sup>2</sup>	Change on pcp
Revenues	1,304.4	0.6%	1,193.5	5.6%	167.7	3.5%	3.7	>100%	2,666.2	3.1%
Variable contribution	517.9	(1.6%)	309.7	5.7%	162.4	3.4%	(10.9)	67.4%	976.8	1.1%
Operating expenses	(280.2)	4.6%	(109.3)	1.8%	(81.9)	(5.1%)	(11.6)	(21.4%)	(491.4)	3.6%
<b>EBITDA</b>	<b>237.7</b>	(8.0%)	<b>200.4</b>	7.9%	<b>80.5</b>	13.8%	<b>(22.5)</b>	5.8%	<b>485.4</b>	(1.2%)
D&A	(76.5)	5.9%	(30.6)	3.7%	(26.4)	1.6%	(1.0)	(36.0%)	(134.6)	4.1%
<b>EBIT</b>	<b>161.2</b>	(13.4%)	<b>169.7</b>	8.7%	<b>54.1</b>	21.0%	<b>(23.5)</b>	3.0%	<b>350.8</b>	(3.1%)

## Basis of preparation<sup>1</sup>

- Tatts: Includes 6 months of earnings in 1H18 and 1H17
- Intecq: Includes 6 months of earnings in 1H18 and 1H17
- Odyssey: No earnings contribution in 1H18 and 1H17
- Sun Bets: Includes 6 months of earnings in 1H18 and 1H17
- Corporate Costs: Tatts corporate costs have been allocated to the Tatts divisions based on relative EBITDA contribution

1. Consistent with pro-forma adjustments in the Tatts scheme book published 8 September 2017

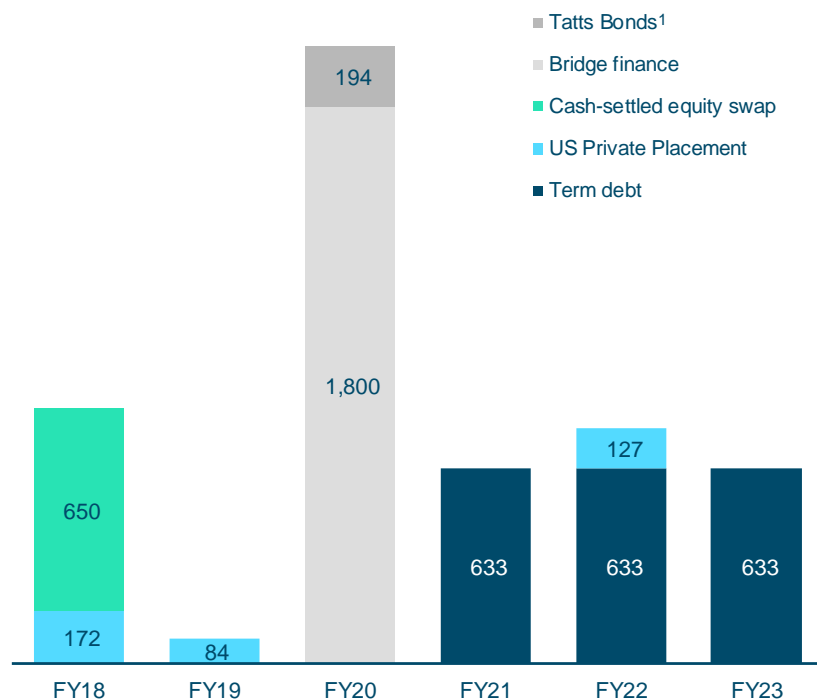
2. Business results to do not aggregate to Group total due to unallocated items and intercompany eliminations

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# CAPITAL MANAGEMENT

## DEBT STRUCTURE (\$m)



- Headroom available under bank facilities of \$948m at 31 December 2017
- Bridge financing of \$1.8bn expected to be refinanced in debt capital markets
- Cash-settled equity swap financing to be repaid through the proceeds from unwinding the swap. Now the combination with Tatts has been implemented, Tabcorp intends to unwind the swap subject to market conditions
- Tabcorp will target a Gross Debt / EBITDA<sup>2</sup> ratio of 3.0-3.5x and intends to maintain an investment grade credit rating
- Tabcorp will continue to consider a share buyback or other capital management initiatives in light of its gearing policy and strategic priorities
- FY18 dividend target is 90% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence and Sun Bets
  - The Dividend Reinvestment Plan will operate for the interim dividend

Notes: 1 Tatts Bonds remain on foot despite classification as current in the financial statements  
 2 Gross debt includes USPP debt at the A\$ principal repayment under cross currency swaps, and EBITDA is before significant items and is calculated as the full calendar year ended 31 Dec 2017, including Tatts as if it had been acquired on 1 January 2017

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# REGULATORY UPDATE

- In March 2017, the Federal Treasurer announced an agreement with State and Territory Treasurers to work together on a national framework for state-based wagering point of consumption taxes
  - Point of consumption tax commenced in South Australia from 1 July 2017. A number of other states are currently actively considering its introduction
- *Interactive Gambling Act* amendments passed during the half, which included prohibitions on:
  - 'Click-to-call' wagering services (commenced September 2017); and
  - Offering credit to wagering customers (commencing in February 2018)
- Advertising restrictions during live sports (excluding racing) (commencing in March 2018)
- National Consumer Protection Framework to restrict various types of customer inducements
- Northern Territory Government has prohibited all licensed wagering operators (including Lottoland) from offering synthetic lottery products in relation to Australian lotteries
  - Governments in New South Wales, Victoria, Queensland, Tasmania and Western Australia have publicly stated their intention to prohibit synthetic lotteries being offered in their states. In South Australia legislation already prohibits synthetic lottery offerings

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# INTEGRATION UPDATE

- On 21<sup>st</sup> December 2017, Tabcorp successfully implemented the combination of Tabcorp and Tatts, and announced its new Executive Leadership Team
- Since implementation, collaboration between Tabcorp and Tatts executives has been extensive and productive
  - Tabcorp will seek to retain the best talent from both organisations as part of the integration process
- Tabcorp has established the key workstreams and governance processes necessary to execute on the integration
- At least \$130m per annum of EBITDA synergies and business improvement benefits planned to be delivered in the first full year following integration. Integration is planned to take approximately 2 years
- Tabcorp will continue to engage closely with regulators and stakeholders as necessary to deliver on integration activities

# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38



# CONCLUSION

- 1H18 Overview
  - Tabcorp and Tatts combination completed in December 2017
  - Strategic investments to enhance competitive position in Australian gambling market
  - Luxbet ceased operations and Odyssey Gaming Services divested
- Future priorities
  - Deliver the benefits from the Tabcorp-Tatts integration
  - Realise benefits from strategic investments in retail and digital channels
  - Execute growth opportunities across each business
  - Ensure the highest levels of regulatory compliance
  - Maintain disciplined approach to operating expenditure and capital investment



# TABLE OF CONTENTS

Reshaping Tabcorp and 1H18 Overview	3 - 4
Tabcorp Results	6 - 12
Tatts Results	14 - 19
Pro-forma Combined Group Results	21 - 22
Capital Management	24
Regulatory Update	26
Integration Update	28
Conclusion	30
Appendices	32 - 38

# APPENDICES

1. Wagering & Media: Financial data
2. Wagering & Media: Revenues by state and product
3. Balance sheet
4. Cashflow
5. Tatts Segment Reconciliation
6. Group pro-forma Reconciliation

# 1. WAGERING & MEDIA: FINANCIAL DATA<sup>1,2</sup>

\$m	1H18	1H17	Change
<b>Revenues</b>	<b>1,000.7</b>	<b>987.0</b>	1.4%
Taxes, levies, commissions and fees	(609.1)	(589.3)	3.4%
<b>Variable contribution</b>	<b>391.6</b>	<b>397.7</b>	(1.5%)
Operating expenses	(209.8)	(201.6)	4.1%
<b>EBITDA</b>	<b>181.8</b>	<b>196.1</b>	(7.3%)
D&A	(62.0)	(60.6)	2.3%
<b>EBIT</b>	<b>119.8</b>	<b>135.5</b>	(11.6%)

Ratios	1H18	1H17	Change
Variable contribution / Revenue	39.1%	40.3%	(1.2%)
Opex / Revenue	21.0%	20.4%	0.5%
EBIT / Revenue	12.0%	13.7%	(1.8%)

Returns to the Racing Industry	1H18	1H17	Change
Victoria	173.7	176.2	(1.4%)
New South Wales	172.3	163.2	5.6%
Race Field Fees	56.6	53.9	5.0%
Media & International	40.4	37.4	8.0%
<b>Total Returns to the Racing Industry</b>	<b>443.0</b>	<b>430.7</b>	2.9%

1. Prepared on a statutory basis
2. Excludes any contribution from Tatts wagering

## 2. WAGERING & MEDIA: REVENUES BY STATE AND PRODUCT<sup>1,2,3</sup>

\$m	NSW 1H18	Change on pcp	Vic 1H18	Change on pcp	ACT 1H18	Change on pcp	Total 1H18	Change on pcp
Racing	491.2	3.0%	229.8	0.9%	14.7	8.1%	735.7	2.4%
Sports	75.4	8.5%	20.9	10.6%	1.7	30.8%	98.0	9.3%
Trackside	17.9	(7.7%)	10.8	(10.0%)	0.4	(42.9%)	29.1	(9.3%)
Media							89.2	0.1%
Luxbet							13.1	(42.0%)
Other							35.6	0.6%
<b>Revenues</b>	<b>584.5</b>	<b>3.3%</b>	<b>261.5</b>	<b>1.1%</b>	<b>16.8</b>	<b>7.7%</b>	<b>1,000.7</b>	<b>1.4%</b>

1. NSW and ACT represents 100% of revenue
2. Vic includes Tabcorp's 50% proportional share of the JV
3. Excludes any contribution from Tatts wagering

### 3. BALANCE SHEET

\$m	Dec 17	Jun 17	Change
Total current assets	1,453.1	556.6	>100%
Licences	1,627.0	637.5	>100%
Other intangible assets	9,484.4	2,058.0	>100%
Property, plant and equipment	501.8	339.4	47.8%
Other non current assets	289.2	149.3	93.7%
<b>Total assets</b>	<b>13,355.5</b>	<b>3,740.9</b>	<b>&gt;100%</b>
Total liabilities	5,880.2	2,257.5	>100%
<b>Shareholders' funds</b>	<b>7,475.3</b>	<b>1,483.4</b>	<b>&gt;100%</b>
Net debt (reported)	3,445.0	1,544.0	>100%
Net debt (economic) <sup>1</sup>	2,850.4	1,174.8	>100%
Shares on issue (m)	2,010.4	835.3	>100%
<b>Ratios</b>			
Gross debt <sup>1</sup> / EBITDA <sup>2</sup> (x)	3.4	2.5	
EBIT <sup>3</sup> / Net interest (x)	3.4	4.7	

*Notes:*

- Net debt (economic) and Gross debt for the purpose of ratios, includes USPP debt at the A\$ principal repayable under cross currency swaps, and the value of cash-settled equity swap as reflected in the Balance Sheet as a current asset (\$654.9m) and the related funding (\$650m)*
- EBITDA is calculated as the full calendar year ended 31 Dec 2017, including Tatts as if it had been acquired on 1 January 2017*
- EBIT is calculated as the half year Tabcorp (including Tatts from the acquisition date) excluding the amortization of the Victorian Wagering and Betting Licence*

## 4. CASHFLOW

\$m	1H18	1H17	Change
Net operating cash flows	323.5	211.9	52.7%
Net interest paid	(63.3)	(34.8)	81.9%
Income tax (paid) / refunded	(21.5)	(34.2)	(37.1%)
Payments for PP&E and intangibles	(105.9)	(78.3)	35.2%
<b>Sub-total</b>	<b>132.8</b>	<b>64.6</b>	>100%
Ordinary dividends paid	(104.4)	(90.1)	15.9%
Payment for cash-settled equity swap	(251.0)	(326.4)	(23.1%)
Payment for business acquisition, including net debt acquired	(1,469.1)	(113.2)	>100%
Proceeds from business divestment, net of cash divested	13.2	-	>100%
Settlement of dividends payable by business acquired	(235.0)	-	(>100%)
Other	(2.3)	1.1	(>100%)
<b>Net cash flow</b>	<b>(1,915.8)</b>	<b>(464.0)</b>	>100%
<b>Net debt at beginning of period</b>	<b>1,544.0</b>	<b>954.4</b>	61.8%
Net cash flow	(1,915.8)	(464.0)	>100%
Non cash movements	(14.8)	11.0	(>100%)
<b>Net debt at end of period</b>	<b>3,445.0</b>	<b>1,429.4</b>	>100%

## 5. TATTS SEGMENT RECONCILIATION

Lotteries, \$m	1H17	Corporate Costs <sup>1</sup>	SA Keno Reclass <sup>2</sup>	Elims	Restated 1H17
Revenues	1,018.1	-	0.3	-	1,018.4
Variable contribution	227.7	-	0.2	-	227.9
Operating expenses	(67.8)	(14.6)	(0.0)	-	(82.5)
<b>EBITDA</b>	<b>159.8</b>	<b>(14.6)</b>	<b>0.2</b>	-	<b>145.4</b>
D&A	(12.8)	(5.9)	(0.0)	-	(18.7)
<b>EBIT</b>	<b>147.1</b>	<b>(20.5)</b>	<b>0.2</b>	-	<b>126.7</b>

Wagering, \$m					
Revenues	317.8	-	(0.3)	-	317.5
Variable contribution	137.1	-	(0.2)	-	136.9
Operating expenses	(69.6)	(5.1)	0.0	-	(74.7)
<b>EBITDA</b>	<b>67.5</b>	<b>(5.1)</b>	<b>(0.2)</b>	-	<b>62.2</b>
D&A	(9.6)	(2.1)	0.0	-	(11.7)
<b>EBIT</b>	<b>57.9</b>	<b>(7.2)</b>	<b>(0.2)</b>	-	<b>50.5</b>

Gaming Services, \$m					
Revenues	100.1	-	-	(12.5)	87.6
Variable contribution	100.1	-	-	(12.5)	87.6
Operating expenses	(64.3)	(3.5)	-	12.5	(55.3)
<b>EBITDA</b>	<b>35.9</b>	<b>(3.5)</b>	-	-	<b>32.4</b>
D&A	(8.1)	(1.4)	-	-	(9.5)
<b>EBIT</b>	<b>27.8</b>	<b>(4.9)</b>	-	-	<b>22.9</b>

### Notes:

1. Unallocated corporate costs have been allocated across segments based on relative segment EBITDA contribution. Some items that are not considered as corporate overhead in nature have not been allocated. This includes new Brisbane property lease \$5.5m and lottery public campaign costs \$4.9m in 1H18
2. SA Keno has been reclassified from the Wagering segment to Lotteries



## 6. GROUP PRO-FORMA RECONCILIATION

- Combined Group pro-forma income statement for the six months ended 31 December 2017

\$m	Tabcorp Reported	Tatts Reported	Adjustments					Combined Group pro-forma
			Tatts 18 days	Sun Bets	Intecq	Odyssey Divestment	Elims	
Revenue	1,376.2	1,481.9	(176.3)	-	-	(7.4)	(8.1)	2,666.2
Variable Contribution	568.7	469.8	(49.3)	-	-	(5.1)	(7.4)	976.8
Operating Expenses	(299.1)	(225.4)	22.0	-	-	3.8	7.4	(491.4)
<b>EBITDA before significant items</b>	<b>269.6</b>	<b>244.4</b>	<b>(27.3)</b>	<b>-</b>	<b>-</b>	<b>(1.3)</b>	<b>-</b>	<b>485.4</b>
D&A	(99.8)	(40.1)	4.6	-	-	0.8	-	(134.6)
<b>EBIT before significant items</b>	<b>169.8</b>	<b>204.3</b>	<b>(22.7)</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>350.8</b>

- Combined Group pro-forma income statement for the six months ended 31 December 2016

\$m	Tabcorp Reported	Tatts Reported	Adjustments					Combined Group pro-forma
			Tatts 18 days	Sun Bets	Intecq	Odyssey Divestment	Elims	
Revenue	1,159.3	1,419.5	-	1.5	22.2	(7.9)	(9.3)	2,585.4
Variable Contribution	521.5	448.4	-	(6.5)	16.0	(5.3)	(8.4)	965.7
Operating Expenses	(251.1)	(208.5)	-	(14.8)	(11.7)	3.4	8.4	(474.3)
<b>EBITDA excluding significant items</b>	<b>270.4</b>	<b>239.9</b>	<b>-</b>	<b>(21.3)</b>	<b>4.3</b>	<b>(1.9)</b>	<b>-</b>	<b>491.5</b>
D&A	(86.7)	(39.8)	-	(1.5)	(2.0)	0.7	-	(129.3)
<b>EBIT excluding significant items</b>	<b>183.7</b>	<b>200.1</b>	<b>-</b>	<b>(22.8)</b>	<b>2.3</b>	<b>(1.2)</b>	<b>-</b>	<b>362.2</b>

# DISCLAIMER

This Presentation contains summary information about the current activities of Tabcorp Holdings Limited (Tabcorp) and its subsidiaries (Tabcorp Group). It should be read in conjunction with the Tabcorp Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.asx.com.au](http://www.asx.com.au).

No member of the Tabcorp Group gives any warranties in relation to the statements or information contained in this Presentation. The information contained in this Presentation is of a general nature and has been prepared by Tabcorp in good faith and with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information.

This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian or any other law. This Presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase any security and neither this Presentation nor anything contained in it shall form the basis of any contract or commitment.

This Presentation is not a recommendation to acquire Tabcorp shares. The information provided in this Presentation is not financial product advice and has been prepared without taking into account any recipient's investment objectives, financial circumstances or particular needs, and should not be considered to be comprehensive or to comprise all the information which recipients may require in order to make an investment decision regarding Tabcorp shares.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

Neither Tabcorp nor any other person warrants or guarantees the future performance of Tabcorp shares or any return on any investment made in Tabcorp shares. This Presentation may contain certain 'forward-looking statements'. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, financial position and performance are also forward-looking statements. Any forecasts or other forward looking statements contained in this Presentation are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Tabcorp, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward looking statements. Except as required by law or regulation (including the ASX Listing Rules), Tabcorp undertakes no obligation to update these forward-looking statements.

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

TO ADVANCE THE WAY WE PLAY

**Tabcorp**