



27 March 2009

## **ASX RELEASE**

### **Contract Extension – Chief Executive and Managing Director**

Tatts Group Chairman Harry Boon announced today that the Board has reached an agreement to extend current Chief Executive Dick McIlwain's contract for a further three years, to take effect from October 12, 2009. The extension continues the remuneration structure established when Mr McIlwain moved from UNiTAB to Tatts following the merger of the two companies in October 2006.

The terms of Mr McIlwain's contract extension continue to be firmly linked to Tatts Group's performance and are considered fair and reasonable and within peer benchmarks. Mr Boon stated that a substantial percentage of Mr McIlwain's remuneration is "at risk", and clearly aligned with the interests of shareholders as the Company approaches 2012. The remuneration arrangements were developed in conjunction with an independent remuneration specialist and took into account the ASX Corporate Governance Principles and Recommendations.

Mr Boon said that the Board is pleased to retain Mr McIlwain's service beyond 2009, giving Tatts the advantage of a highly experienced chief executive with a proven track record and extensive industry knowledge at a time when new opportunities are emerging internationally and around Australia including lotteries, wagering, gaming machine monitoring and related technologies.

A summary of the new arrangements is included with this announcement.

#### **Further Information contact:**

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**TERMS OF EXTENSION OF CONTRACT  
FOR TATTS GROUP CHIEF EXECUTIVE DICK MCILWAIN**

**1. TERM**

1.1 The appointment has been extended for a further period of 3 years from 12 October 2009 to 12 October 2012.

**2. REMUNERATION**

**2.1 Fixed Annual Remuneration**

Mr McIlwain will be paid a fixed remuneration amount of \$2.0M per annum. This amount is reviewable annually by the Board in accordance with normal remuneration practices.

**2.2 Short Term Incentive (STI)**

Mr McIlwain will be entitled to an annual short-term incentive payment of up to a maximum of 70% of fixed annual remuneration.

The actual short term incentive awarded (if any) will be determined by the Board after assessing the performance of the Group and the personal performance of Mr McIlwain against agreed Key Performance Indicators.

**2.3 Long Term Incentive**

The Board will be seeking Shareholder approval to issue 250,000 Performance Rights (**Rights**) each year of the three year contract extension pursuant to the Tatts Group Long Term Incentive Plan (LTIP).

The vesting conditions applying to each allotment of Rights shall consist of three hurdles:

1. Total Shareholder Return (TSR) Hurdle

- No Rights will vest where Tatts Group TSR is below the 50<sup>th</sup> percentile of its comparable peer group;
- 25% of the Rights will vest where TSR is at the 50<sup>th</sup> percentile of its peer group;
- 50% of the Rights will vest where TSR is at or above the 75<sup>th</sup> percentile of the peer group; and
- a sliding scale will operate where TSR is between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the peer group.

## 2. Earnings Per Share (EPS) Hurdle

The remaining 50% of Rights will vest where an earnings per share hurdle set by the Board is met.

## 3. Time Based Vesting

Each allotment of Rights will vest after three years if performance hurdles are met, being 2012, 2013 and 2014 respectively. The TSR hurdle will be re-tested for each allotment six months and twelve months after its initial vesting date where the Rights have not fully vested in accordance with the LTIP Policy. The EPS hurdle will not be retested.

## 3. **TERMINATION ON NOTICE**

Mr McIlwain's employment under the contract extension will terminate through the expiration of time on 12 October 2012. There will be no notice, severance or termination payment made where the contract runs its full term, other than usual entitlements to accrued leave, superannuation, etc.

Mr McIlwain can terminate his employment at any time by giving nine months notice. The Board can terminate Mr McIlwain's employment without cause at any time, in which case he will receive twelve month's notice or payment of twelve month's fixed annual remuneration or an equivalent amount made up of notice and payment. If such termination occurs in the final year of the contract extension, the notice period and/or payment will be adjusted down pro-rata to the end of the term. In addition, and subject to applicable law, he will receive a pro-rata payment of that year's STI as determined by the Board at the end of the financial year in which the termination takes effect.

If Mr McIlwain resigns or is summarily dismissed before 12 October, 2012, all Rights will lapse immediately he ceases employment.

All other material terms and conditions of Mr McIlwain's employment contract remain unchanged.