

MEDIA RELEASE

GREAT RESULT - BIG OPPORTUNITIES

Tatts Group 2009 Half Year Results

- Revenue up 4.9% on previous corresponding period.
- EBITDA growth of 10%.
- NPAT up 8.8% to \$144.7M.
- Interim dividend up 5.3% to 10 cents per share.
- A high dividend payout ratio of 87.4%.
- Extended maturities on all debt to at least mid 2011.

	31 December 2008 A\$m	Reported % on pcp
REVENUE	1615.0	4.9
EBITDA	290.6	10.0
Depreciation & Amortisation	(52.5)	2.5
EBIT	238.1	13.1
Interest	(29.5)	72.5
NPBT	208.6	7.8
Tax	(63.5)	6.2
Minority interest	(0.4)	152.1
NPAT	144.7	8.8
Earnings per Share	11.4	8.8
Dividend per Share	10.0	5.3

Overview

The first half of the 2009 financial year has fulfilled all of the expectations created when Tatts Group announced its full year profit last August.

A strong bounce back from the corresponding period last year by the wagering business, good margin growth by Tatts Pokies, the continuing recovery of Talarius and the ongoing development of the South Africa businesses drove growth during the period. Meanwhile, Lotteries held on despite the impact of the changes to its licence in Victoria, Maxgaming maintained its profit margins and Bytecraft continued to develop its external customer base. Additional commentary on each of the Group's businesses follows later in this release.

The results for the half year provide a reliable indicator of the potential of the Tatts business portfolio. Consequently, they provide a baseline for measuring future performance of the existing Tatts business model.

It is inevitable that there will be changes to the Tatts Group business model. We are now entering a period offering a number of business opportunities, including the potential sale of NSW Lotteries and the Tasmanian TAB. Additionally, we have opportunities to bid for the sole post-2012 gaming machine monitoring and wagering licences in Victoria.

Tatts is a fully qualified and highly credible operator in the markets occupied by each of these opportunities. Tatts has proven that it is able to merge acquisitions seamlessly and smoothly into its existing operations while taking full advantage of the benefits available from the extra scale they produce. No other operator of similar businesses in Australia can make this claim.

An important component of any acquisition strategy is the capacity of the balance sheet. Our decision to re-finance a debt package with a significant amount of un-utilised borrowings gives Tatts a strong base from which to bid for transactions which produce immediate, or an early increase in earnings per share.

Meanwhile, the second half has begun well. However, the rate of growth in the second half of this financial year is highly unlikely to match the levels achieved over the last six months because of a relatively strong corresponding period last year.

The strong growth in the first half of the 2009 financial year and our confidence that the business will continue to grow and improve in the second half has encouraged the Board to declare an interim dividend of 10.0 cents per share (9.5 cents FY2008). The record date will be 12 March 2009. It will be paid on 3 April 2009.

The Board has introduced the dividend reinvestment plan (DRP) announced at the November Annual General Meeting with this dividend payment. This decision responds to requests from many shareholders. It will further strengthen our capital management program. The Board intends to issue new shares and retain the cash produced by the DRP.

The following comments briefly address the performance of each of Tatts' main businesses:

Tatts Pokies

	31 December 2008 A\$m	Reported % on pcp
REVENUE	669.9	1.7
Expenses	541.9	0.5
EBITDA	128.0	6.9
Depreciation & Amortisation	11.1	(45.5)
EBIT	116.9	17.6

The improved profitability has been driven by a reshaped cost structure and some revenue growth. The first adjustments to the cost of operating this business in the period leading to the expiration of the Victorian gaming machine licence in 2012 have been reflected in the profit for the current period.

The increase in revenue is a good result in circumstances where Tatts has not been able to deploy its full complement of gaming machines following a decision by the Victoria Government to further reduce machine numbers in a number of regional areas.

This situation will begin to change with the roll-out of additional machines when developments supported by Tatts at Lynbrook and Point Cook are commissioned around mid-year. This roll-out will continue into 2010 when 80 machines are expected to be installed in a hotel development at Caroline Springs.

The cost of operating this business declined significantly over the last six months. Notwithstanding a decision to defer the replacement of games until the current half, the cost of operating this business will be trimmed further as we approach 2012. These reductions will combine with the redeployment of machines to help protect, and even increase, profits from Tatts Pokies in the remaining years of the licence.

UNiTAB Wagering

	31 December 2008 A\$m	Reported % on pcp
REVENUE	309.6	15.2
Expenses	229.6	12.1
EBITDA	80.0	25.0
Depreciation & Amortisation	8.7	1.3
EBIT	71.3	28.6

The predicted bounce back from equine influenza in 2007 has helped UNiTAB Wagering produce a remarkable result. The resumption of normal sales patterns proves yet again that the sales delivered by the wagering business are not re-based each time it encounters a setback.

Fixed odds betting continues to feature in UNiTAB Wagering's future with sales increasing by 26.4%. Meanwhile, the company has made a further commitment to this business with the acquisition of CentreRacing on 1 December 2008. The betting systems and bookmaking skills within CentreRacing will be used to develop the

current UNiTAB Wagering fixed odds service and to offer a richer suite of betting options through the NTTAB's Northern Territory internet bookmaking licence.

Second half growth from UNiTAB Wagering comes off a much stronger base. We expect growth to moderate and follow long term patterns. These patterns seem to broadly track changes in household disposable income. The second half of the 2008 financial year produced growth of six percent.

Tatts Lotteries

	31 December 2008 A\$m	Reported % on pcp
REVENUE	484.5	(5.8)
Expenses	433.3	(6.3)
EBITDA	51.2	(1.1)
Depreciation & Amortisation	4.7	(18.9)
EBIT	46.5	1.1

The 5.8% decline in revenue is attributable to two factors. The first was the loss of 15% of the revenue previously available from instant and other State-only games under the previous licensing arrangements in Victoria. The second was the roll-over of the end-of-year Mega lotto draw into the second half of this financial year.

The cost structure for this business has been realigned with the normal Tatts Group accounting practices. Adjustments for corporate technology, property, depreciation and other overheads netting around \$5.6M were moved from the Queensland lottery business for the first time this year. This is an internal allocation which was carried by the lottery business (Golden Casket) last financial year. This cost is now carried by Shared Services.

Lotteries has done particularly well to hold onto its profits in this half. This business will need all the benefit it got from rolling over the end-of-year mega lotto draw to cover an extraordinary run of jackpots in the second half of the 2008 financial year.

Maxgaming and Bytecraft

	31 December 2008 A\$m	Reported % on pcp
Maxgaming		
REVENUE	58.8	2.2
Expenses	26.1	3.9
EBITDA	32.7	0.8
Depreciation & Amortisation	12.4	1.6
EBIT	20.3	0.4

The relatively small shifts in both revenue and profits from Maxgaming draw attention away from the strong profit margins generated by this business. Maintaining these margins in a business which services gaming venues dealing with a number of imposed and macro-economic difficulties is a great result.

Moreover, Maxgaming has used the last six months to protect its revenue stream in the second half. The innovative *Maximise* machine supply arrangements marketed in conjunction with a number of gaming machine manufacturers and the long awaited approval to roll-out stand alone play in NSW are expected to underpin revenue growth throughout 2009.

Bytecraft	31 December 2008 A\$m	Reported % on pcp
REVENUE	34.6	(6.4)
Expenses	31.8	(4.8)
EBITDA	2.8	(20.9)
Depreciation & Amortisation	0.8	(12.0)
EBIT	2.0	(24.1)

Bytecraft has taken the challenge of replacing the revenue lost when a decision was taken to cease charging profit margins on internal business. Revenue from third party external customers now represents 52.3% of all Bytecraft revenue.

International

Talarius	31 December 2008 A\$m
REVENUE	53.6
Expenses	44.8
EBITDA	8.8
Depreciation & Amortisation	8.4
EBIT	0.4

Talarius enjoyed a stronger second half of the 2008 calendar year as it battled with the changes to gaming regulations late in 2007 and the poor economic conditions in the UK. The improved profits have come from an overhaul of the cost base and good responses to tactical investments in gaming floors and venue presentation.

The current half should improve further. Recent increases to the maximum denomination of play and jackpot levels, the gradual adjustment by players to smoking bans, better cash control procedures and the acquisition of 14 additional quality venues all combine to improve the outlook for this business.

South Africa Gaming	31 December 2008 A\$m	Reported % on pcp
REVENUE	19.3	21.8
Expenses	16.7	17.3
EBITDA	2.6	61.7
Depreciation & Amortisation	1.9	100.4
EBIT	0.6	1.8

South Africa Gaming has delivered impressive growth. Machine numbers have increased 36% and EBITDA by 61.7% on the previous corresponding period. The roll-out of gaming machines in both Western Cape and KwaZuluNatal continues. The deployment of machines in Free State has not yet commenced following court injunctions secured by an unsuccessful bidder for one of the licences.

Shared Services

The operating costs associated with the corporate administration of the business have declined further as a percentage of revenue after taking into account the reallocation of costs from the Lotteries (Golden Casket) business. For the half year, Shared Services costs were \$16.1M, and hence they are currently 1.0% of revenue (1.1% on the same basis for the first half last year).

Depreciation and amortisation costs of \$52.5M for the half are close to last year's figure, even after the first time inclusion of \$8.4M from Talarius. They remain comfortably above capital expenditure of \$46.7M.

Interest costs were 8.1% of average gross debt for the period. This rate is expected to decline to below 6% in the second half. The Group has no current funding requirements and all facilities are in place until at least 2011 following the extension of Facility A of the syndicated bank loan by two years to 5 June 2011.

Net debt for the half year peaked at around \$830M immediately after the payment of the full year dividend to shareholders. Excess cash of \$150M was generated from operating activities before a dividend payment of \$132.9M during the six months to December 31.

KEY BUSINESS MEASURES



Wouldn't you rather be with friends?

	1H 2009	1H 2008	Change
Number of Venues	256	257	-1
Number of EGM's at 31 December	13,341	13,386	-0.3%
NMR per EGM per day (average)	\$272	\$263	+3.4%
% of EGM's linked	46.1%	43.0%	+3.1



	Meetings		TAB QLD		SA TAB		NT TAB	
	1H09 #	1H08 #	Share %	Change %	Share %	Change %	Share %	Change %
CODE								
Gallops	1,339	1,043	74.6	2.6	68.6	2.6	72.9	2.0
Harness	889	704	11.0	1.0	14.7	0.9	11.3	0.7
Greyhound	1,350	1,340	14.4	-3.6	16.7	-3.5	15.8	-2.7
	3,578	3,087						

STATE								
- Qld	514	402	24.4	4.9	16.3	3.1	18.3	4.0
- Vic	891	872	31.8	-6.2	33.7	-4.2	30.7	-4.9
- NSW	809	573	24.2	7.7	22.8	7.5	23.0	6.7
- SA	285	276	7.4	-1.7	13.0	-1.9	8.5	-1.3
- NT	62	60	0.3	-0.1	0.3	0.0	3.6	-0.4
- WA	375	335	6.5	-1.1	7.8	-1.0	9.7	-1.1
- Other(inc NZ)	642	569	5.4	-3.5	6.1	-3.5	6.2	-3.0
Total	3,578	3,087						

	TAB QLD		SA TAB		NT TAB	
	Sites	%	Sites	%	Sites	%
Distribution Network						
Agencies & Branches	134	23.4	56	30.6	10	22.7
Pub/Club/Satellites	589	48.8	290	48.7	39	40.1
On-course	63	4.4	0	0.0	3	6.8
Telebet/Internet	3	23.4	2	20.7	2	30.4
Product Shares						
Win/Place		63.0		63.4		65.0
Trifecta		17.7		16.5		18.9
Multiples		13.2		13.4		11.9
Fixed Odds		6.1		6.7		4.2



Tatts Lotteries	1H 09	1H 08	Change
Major Product Sales (\$million) *			
- Saturday lotto	\$217.4m	\$240.9m	-9.8%
- Powerball	\$87.2m	\$91.1m	-4.3%
- Super 7's Oz Lotto	\$84.4m	\$51.7m	+63.2%
- Instant Lotteries (Queensland) **	\$52.2m	\$50.7m	+3.0%
Number of Outlets	2,169	2,030	+7.0%
Powerball and OZ Lotto Jackpots at and above \$15 m	11	10	+10.0%
Internet Sales (\$million)	33.1m	25.8m	28.0%

* Player expenditure net of prizes

** Instant Lotteries sales refer to Queensland, Tasmania and Northern Territory only



Full Year (Machine Numbers)	Queensland		New South Wales		Northern Territory	
	1H 2009	1H 2008	1H 2009	1H 2008	1H 2009	1H 2008
Monitoring	33,993	34,203	98,769	100,127	1,176	1,161
MIS	32,853	32,796	-	-	982	952
Jackpot Linked	15,242	14,263	4,061	4,555	440	394
Loyalty Linked	16,931	17,100	-	-	-	-

Tatts International

South African Gaming	1H 2009	1H 2008	Change
Number of Venues			
- Western Cape	197	171	+15.2%
- KZN	112	57	+96.5%
Number of EGM's			
- Western Cape	912	788	+15.7%
- KZN	517	262	+97.3%
NMR per EGM per day (ave) – Rand			
- Western Cape	R570	R598	-4.7%
- KZN	R363	R448	-19.0%

Talarius	1H 2009	1H 2008	Change
Number of AGC Venues	200	191	+4.7%
Number of EGM's in operation	7,868	7,644	+2.9%
NMR per EGM per day (average) *	£18.39	£17.31	+6.2%

*Gross revenue per day after Return To Player

26 February, 2009