



16 August 2012

ASX RELEASE

Tatts Group commences legal proceedings against the State of Victoria.

Today, Tatts Group Limited commenced proceedings against the State in the Supreme Court of Victoria for compensation on the expiry of its gaming operator's licence.

Tatts claims that under an agreement entered into on 17 November 1995, it is entitled, on the expiry of its gaming operator's licence on 15 August 2012, to compensation in an amount equal to the lesser of the Licence Value (determined by a formula in the agreement to be \$598 million) and the premium payments made by the new licensees.

Based on the results of the auction of gaming machine entitlements conducted by the former Victorian Government in 2010, Tatts estimates the amount of compensation may be half of the \$981 million paid for gaming machine entitlements under the auction process (\$490.5 million) plus amounts paid to the State following any transfers of gaming machine entitlements prior to 16 February 2013.

The 1995 agreement resulted in the State receiving substantial licence fees from Tatts for the conduct of the Tatts Pokies business which it would not otherwise have received. These licence fees were agreed to be paid on the basis that the State would pay compensation for the investment made in the Tatts Pokies business over the 20 year licence period, if a new licence was granted to anyone other than Tatts on the expiry of its licence.

The commencement of proceedings follows the announcement by the former Victorian Government on 10 April 2008 that it had formed the view that compensation would not be payable to Tatts on the expiry of its licence. On the same day Tatts announced that any attempt on the part of the government to fail to meet its clearly understood obligations to Tatts would result in Tatts taking all necessary action to protect the interests of its more than 80,000 individual shareholders.

At this stage it is not possible to say with any certainty when the final hearing in the proceeding will occur.