

Half-Year Results FY14



Lotteries



Wagering

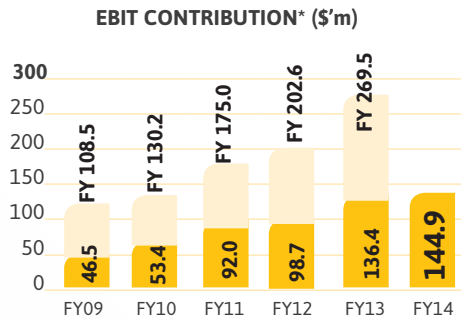


Gaming

Half-Year Results FY14

Highlights | Results | Licences | Lotteries | Wagering | Gaming | Balance Sheet | Looking forward

Lotteries



Record EBIT of \$144.9m - up 6.3% (H1 FY13: \$136.4m) - contribution from successful SA Lotteries integration

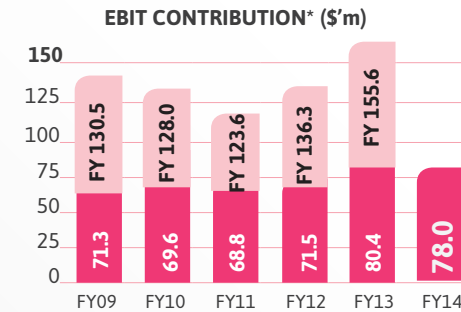
Online sales - 9.2% of total sales excluding SA Lotteries (H1 FY13: 7.9%)

22 jackpots at or above \$15m - up from 21 jackpots in H1 FY13 (average 1st division jackpot pool \$28.6m vs. \$31.7m in H1 FY13)

Monday Lotto launched in Queensland

Autoplay functionality developed

Wagering



Wagering EBIT of \$78.0m down 3.0% (H1 FY13: \$80.4m) - reflecting highly competitive landscape and step-up in investment in team to respond to market

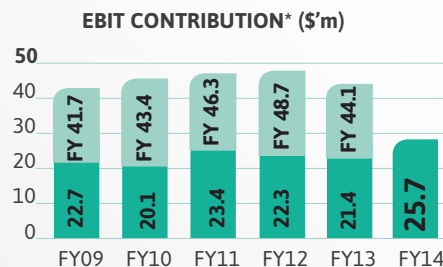
Online sales now represent 22.0% of all sales (H1 FY13: 19.1%)

Fixed price betting growth 11.6% with sales exceeding \$620m - circa. 34% of all bets placed

Fixed price betting now available 24/7

Extended fixed price offerings

Gaming



Reported Segments H1 FY14

- Maxgaming \$25.0m - H1 FY13: \$23.8m
- Talarius \$1.9m - H1 FY13: (\$1.4m)
- Bytecraft (\$1.2m) - H1 FY13: (\$1.0m)

Organisational restructure starting to show positive results

Maxgaming EBIT up 4.9% - off the back of improved revenues (up 1.8%)

Talarius delivered a \$3.3m EBIT turnaround - EBIT \$1.9m vs. \$1.4m loss in H1 FY13 - first positive EBIT contribution to Group

Bytecraft in rebuild phase - focus on core competencies

Successful entry into NSW gaming machine repair market - major hotel group contracted

* Underlying results

Half-Year Results FY14

Highlights | Results | Licences | Lotteries | Wagering | Gaming | Balance Sheet | Looking forward

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Total revenue and other income	1,491.3	1,545.7	▼3.5%
Government share	(669.8)	(738.0)	▼9.2%
Venue share/commission	(216.9)	(214.2)	▲1.3%
Product and program fees	(99.5)	(102.4)	▼2.7%
Other expenses	(240.1)	(242.7)	▼1.1%
Total expenses	(1,226.3)	(1,297.3)	▼5.5%
EBITDA	265.0	248.4	▲6.7%
Depreciation and amortisation	(41.3)	(41.7)	▼1.1%
EBIT	223.7	206.7	▲8.2%
Interest income	1.2	2.1	▼42.6%
Finance costs	(49.0)	(51.1)	▼4.1%
PBT	175.9	157.7	▲11.5%
Income tax	(53.9)	(49.0)	▲10.1%
NPAT (from continuing operations)	122.0	108.7	▲12.2%
Profit from discontinued operations	-	19.6	▼100%
NPAT (statutory basis)	122.0	128.3	▼5.0%

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	999.5	1,055.1	▼5.3%
EBITDA	157.4	147.9	▲6.4%
EBIT	144.9	136.4	▲6.3%

Lotteries

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	337.9	344.9	▼2.0%
EBITDA	86.2	90.0	▼4.1%
EBIT	78.0	80.4	▼3.0%

Wagering

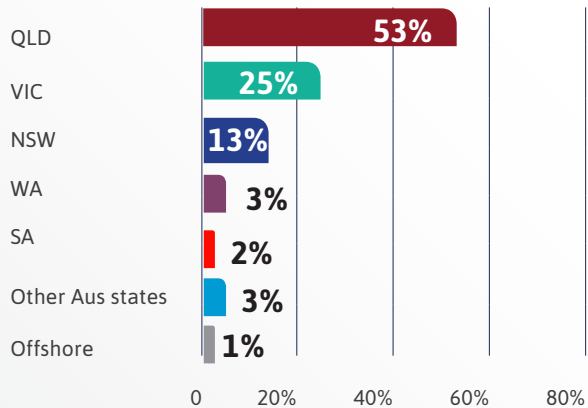
	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue			
- Maxgaming	58.1	57.1	▲1.8%
- Talarius	52.8	39.5	▲33.6%
- Bytecraft	53.7	60.3	▼10.9%
EBITDA			
- Maxgaming	31.7	31.4	▲1.1%
- Talarius	6.9	3.3	▲105.6%
- Bytecraft	(0.1)	0.0	-
EBIT			
- Maxgaming	25.0	23.8	▲4.9%
- Talarius	1.9	(1.4)	▲237.8%
- Bytecraft	(1.2)	(1.0)	▼15.1%

Gaming

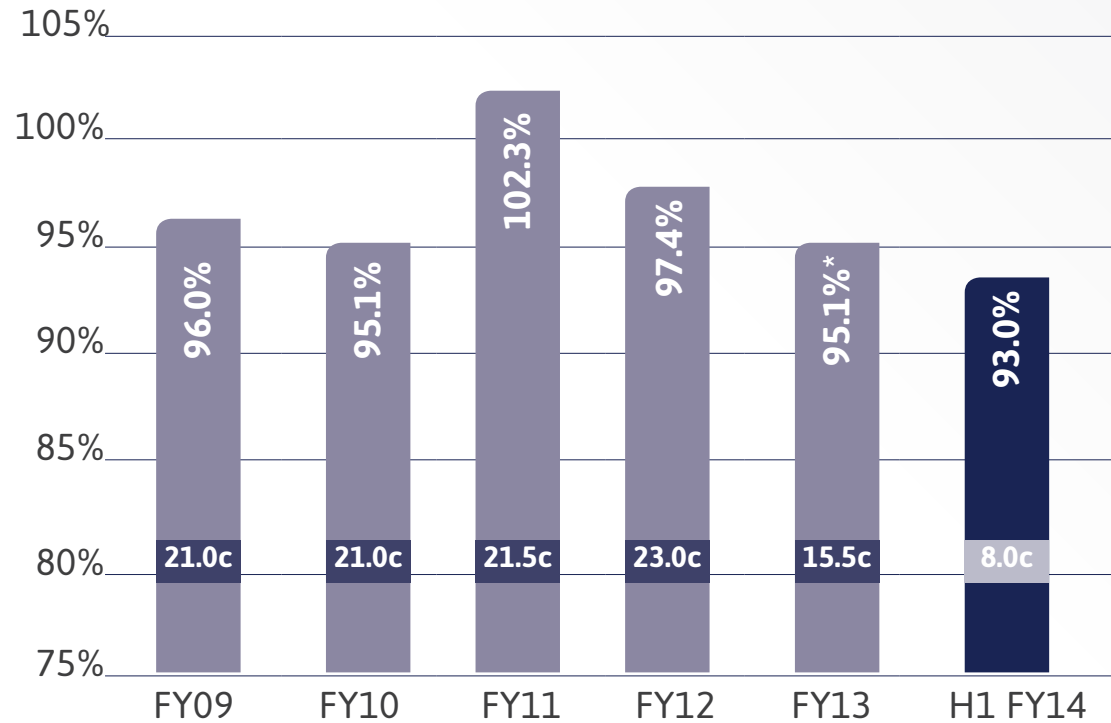
Half-Year Results FY14

- 8.0 cents per share fully franked interim dividend (H1 FY13: 8.0 cents per share)
 - Record date 4 March 2014
 - Payment date 4 April 2014
 - Dividend reinvestment plan operative with a 1.5% discount
 - Half-year dividend payout ratio of 93% (H1 FY13: 86%)
- Track record of strong payout ratios

GREATEST PROPORTION OF SHAREHOLDERS ARE QUEENSLAND BASED



DIVIDEND PAYOUT RATIO

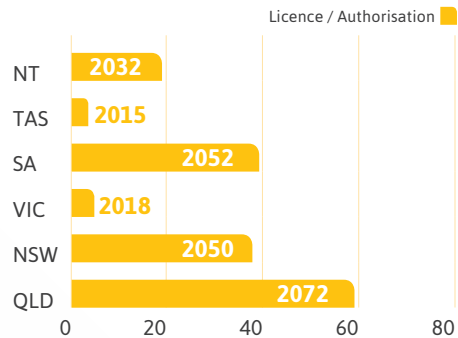


* As a percentage of continuing net profit after tax

Half-Year Results FY14

LONG TERM DIVERSIFIED LICENCES

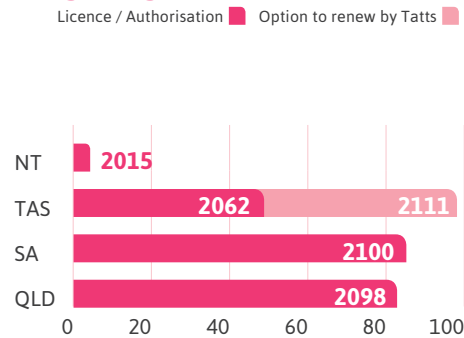
Lotteries YEARS REMAINING



Exclusive lottery operator in SA, NSW and QLD

Circa. 80% of Lotteries EBIT (\$115m) from licences that run at least 35 years

Wagering YEARS REMAINING

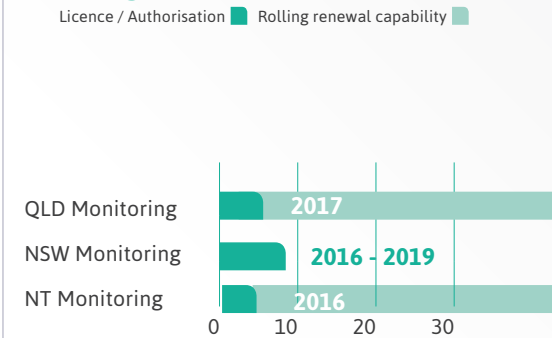


Exclusive wagering licences in SA, TAS and QLD*

Circa. 95% of wagering EBIT (\$75m) from licences that run at least 35 years

* QLD licence exclusivity runs to 30 Jun 2014, SA exclusivity runs to 6 Dec 2016 and TAS exclusivity runs to 26 Mar 2027

Gaming YEARS REMAINING



Exclusive monitoring operator in NSW and NT

Circa. 80% monitoring segment share in QLD

Talarius - Indefinite licence in the UK

GROUP HALF-YEAR EBIT CONTRIBUTION % (continuing operations)



Gaming		
Maxgaming	Talarius	Bytecraft
10%	1%	0%

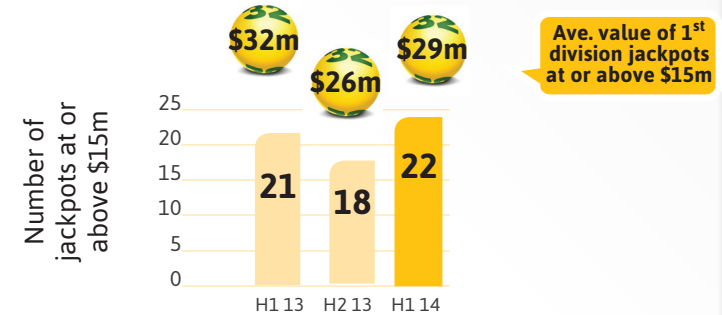
Half-Year Results FY14

Lotteries - Divisional Highlights

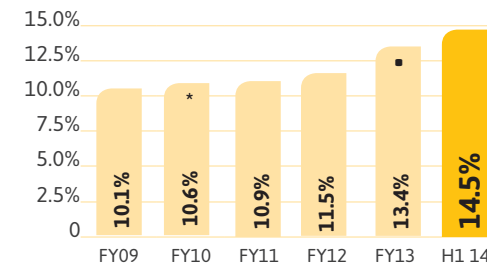
- Challenged by jackpot performance in H1 FY13
- Jackpot numbers up - 22 jackpots (Oz Lotto/Powerball) at or above \$15m (H1 FY13: 21) - however jackpot values down (average 1st division: \$28.6m vs. \$31.7m in H1 FY13)
- EBIT Margin up to 14.5% (H1 FY13: 12.9%) - assisted by SA Lotteries
- Maintained strong participation rates - approximately 56% of the Australian adult population playing a lotto game in the past 3 months
- 2.3m player card members at 31 Dec 2013 (H1 FY13: 2.1m)
- 1.0m players registered on tatts.com (H1 FY13: 0.7m)
- 172m entries purchased in the half-year (H1 FY13: 183m)
- \$12.54 average spend per transaction (H1 FY13: \$12.86) - Online showing out-performance in average spend at \$14.77 per transaction (H1 FY13: \$15.00)
- 4,252 retail outlets - up from 4,238 in the pc
- Online sales now 9.2% of all lottery sales (H1 FY13: 7.9%)
- SA Lotteries performing well - delivered revenue of \$46.7m
- Strong SEO and SEM positioning on Google
- Tatts Group ranked as the 11th largest lottery operator world-wide

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	999.5	1,055.1	▼5.3%
EBITDA	157.4	147.9	▲6.4%
EBIT	144.9	136.4	▲6.3%

Robust Jackpot Run (Oz Lotto & Powerball)



EBIT Margin (%)



* Acquisition of NSW Lotteries

• Acquisition of SA Lotteries

Half-Year Results FY14

Lotteries - Key Actions and Initiatives

- SA Lotteries website launched on 12 December 2013
- AutoPlay developed in half-year and now launched for online customers
- Retail expansion successfully trialled - Coles Express in Victoria
- Roll-out of multi-jurisdictional Scratch-Its to commence
- On track for Tatts proprietary lotteries platform roll-out from April 2014 in South Australia - completing the network Australia-wide (excl. WA)
- Monday Lotto successfully launched in Queensland



Half-Year Results FY14

Highlights | Results | Licences | Lotteries | Wagering | Gaming | Balance Sheet | Looking forward



Half-Year Results FY14

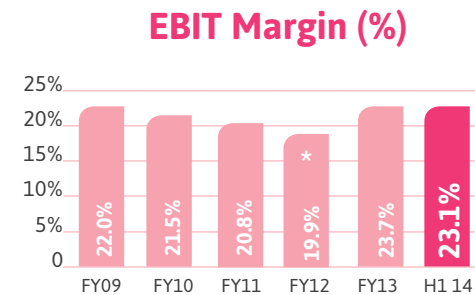
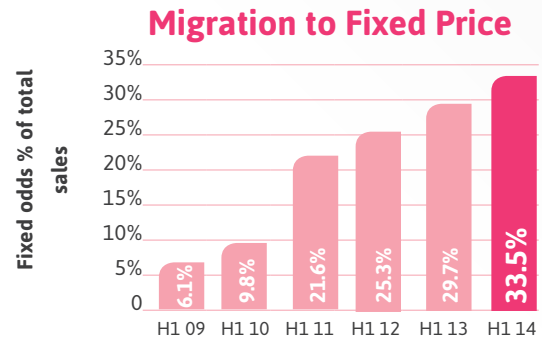


Highlights | Results | Licences | Lotteries | Wagering | Gaming | Balance Sheet | Looking forward

Wagering - Divisional Highlights

- Revenue result delivered in a competitive trading environment
- EBIT margin declined to 23.1% (H1 FY13: 23.3%) - reflecting investment lift to respond to market landscape
- Strong online sales - now 22.0% of all wagering sales (H1 FY13: 19.1%)
- Self-service terminals (**SST**) roll-out continuing - approximately 150 SST in the field
- Fixed price racing sales up 13.0% with strong win rate maintained
- Fixed price sales now represent 33.6% of total wagering sales (H1 FY13: 29.9%)
- Racing continues to dominate the fixed price book - circa. 81%
- Fixed price sport sales up 3.6% with double digit win rate
- Average fixed price bet now exceeding \$26 per bet (H1 FY13: c. \$25 per bet)
- 186,500 unique devices now operating with Tatts App installed
- Google SEM positioning improved in the half-year
- Migration from phone to online continues - online sales growth outpacing phone sales decline 3 to 1

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	337.9	344.9	▼2.0%
EBITDA	86.2	90.0	▼4.1%
EBIT	78.0	80.4	▼3.0%



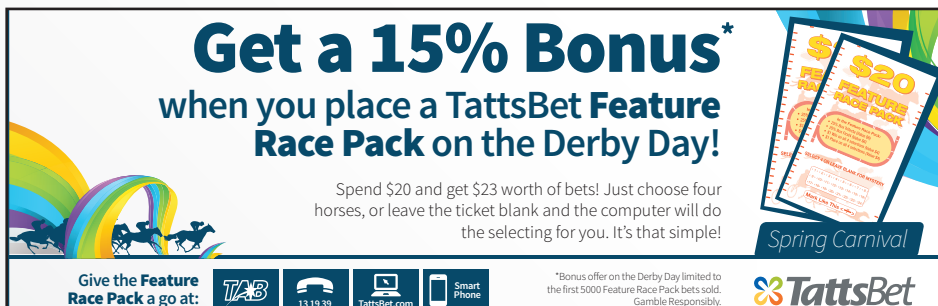
* Acquisition of Tote Tasmania



Half-Year Results FY14

Wagering - Key Actions and Initiatives





- Significant increase in bookmaking team resourcing
- Launch of 24/7 online fixed price betting offer
- Extended fixed price product offer - greyhound and harness racing
- Continued roll-out of self service terminals
- Established a dedicated wagering marketing team
- New wagering website in development
- New CRM system in deployment stage
- New bet types introduced - Double Trio & Total Trio
- New promotional activity introduced - TattsBet Tipping/Pool Party/Feature Race Packs




Get a 15% Bonus*
when you place a TattsBet Feature Race Pack on the Derby Day!

Spend \$20 and get \$23 worth of bets! Just choose four horses, or leave the ticket blank and the computer will do the selecting for you. It's that simple!

Spring Carnival

Give the Feature Race Pack a go at:   13 19 39  

*Bonus offer on the Derby Day limited to the first 5000 Feature Race Pack bets sold. Gamble Responsibly.



Gamble Responsibly. Call Gambling Help 1800 858 858.

TattsBet
never sleeps

You can now access our great range of fixed price products 24/7.
Go to TattsBet.com for more information.



*24/7 applies to Account Betting customers only.



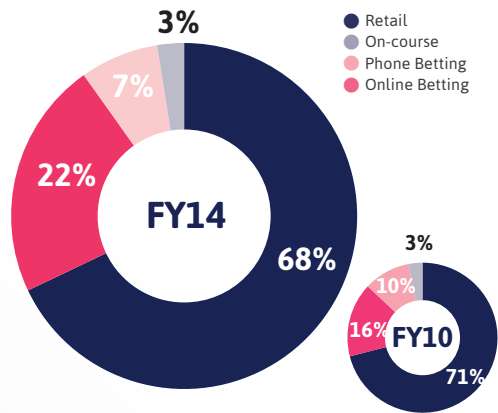
The \$5 Million*
TattsBet Pool Party

During the month of October, TattsBet is removing the commission take-out on all **Tote Win bets** for all **Victorian Group 1** thoroughbred races.

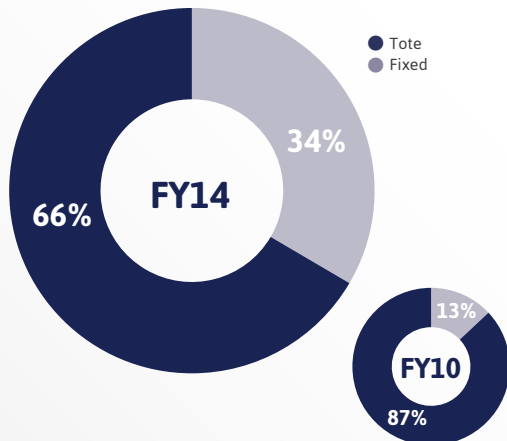
*Based on 2012 Victorian Group 1 TattsBet Win Pools

Wagering - Segment Overview

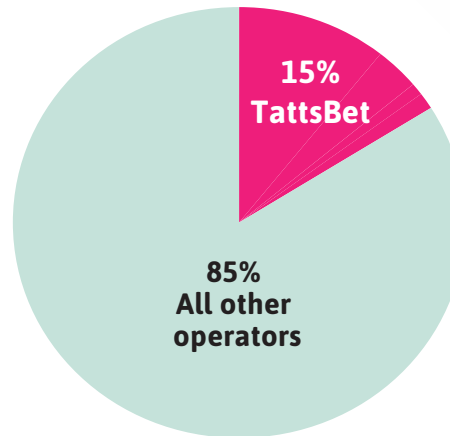
TattsBet Betting by Sales Channel H1 FY14



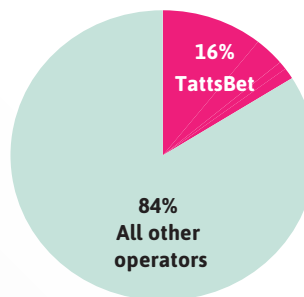
TattsBet Sales by Bet Type H1 FY14



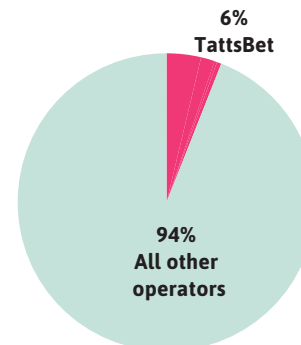
Total Wagering (Racing & Sports) Segment Share - 2013*



Total Racing Segment Share - 2013*



Total Sports Segment Share - 2013*



TattsBet racing wagering segment share has remained relatively stable over the past 5 years

Opportunity to increase Sports Betting segment share through planned initiatives

Migration from phone to online continues - online now 22.0% of total sales

Migration from tote betting to fixed price betting continues - fixed price now 33.6% of total sales

* Source: Australian Racing Fact Book 2012/13

Half-Year Results FY14

Gaming - Divisional Highlights

Maxgaming

- Revenue lift of 1.8% - first revenue lift since FY10 - driven by new products (Maxgaming connect and e-Cash)
- Further revenue uplift is expected from the roll-out of ticket-in-ticket-out (TITO) in H2 FY14
- Circa. 132,000 machines monitored in 3,811 venues (H1 FY13: circa. 132,000 in 3,874 venues)
- EBIT margin improvement to 42.9% (H1 FY13: 41.7%)
- Queensland monitoring segment share constant - circa. 80%
- Revenue distribution:
 - c. 53% from monitoring (H1 FY13: c. 53%)
 - c. 25% from value-add services (H1 FY13: c. 25%)
 - c. 22% from EGM maintenance (H1 FY13: c. 22%)

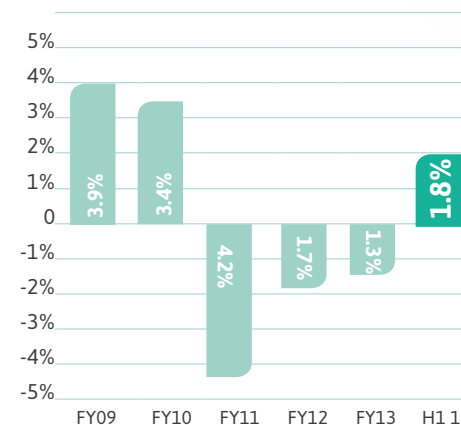


Maxgaming's TITO solution is here for Queensland

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	58.1	57.1	▲1.8%
EBITDA	31.7	31.4	▲1.1%
EBIT	25.0	23.8	▲4.9%

Maxgaming

Maxgaming Revenue Growth (%)



Gaming - Divisional Highlights

Talarius

- Impressive lift of 33.6% (17.2% constant currency) in revenue driven by:
 - investment in motorway sites
 - right-sizing of the gaming machine estate (172 venues vs H1 FY13: 176)
- First positive EBIT contribution to Group
- Improving economy in the UK should, over time, see increasing consumer spend on entertainment products
- 7,587 gaming machines under operation (H1 FY13: 7,585)
- Average net machine revenue (NMR - gross gaming revenue after return to player) per day - £19.87 (H1 FY13: £19.11)

Bytecraft

- In rebuild phase - new management team focus on core competencies and returning the business to positive EBIT contribution
- Positive EBITDA of \$1.2m before restructure costs of \$0.8m and one-off costs of \$0.5m

Talarius

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	52.8	39.5	▲33.6%
EBITDA	6.9	3.3	▲106%
EBIT	1.9	(1.4)	▲238%

Bytecraft

	H1 FY14 (\$'m)	H1 FY13 (\$'m)	Change (%)
Revenue	53.7	60.3	▼10.9%
EBITDA	(0.1)	0	-%
EBIT	(1.2)	(1.0)	▼15.1%

Half-Year Results FY14

[Highlights](#) | [Results](#) | [Licences](#) | [Lotteries](#) | [Wagering](#) | [Gaming](#) | [Balance Sheet](#) | [Looking forward](#)



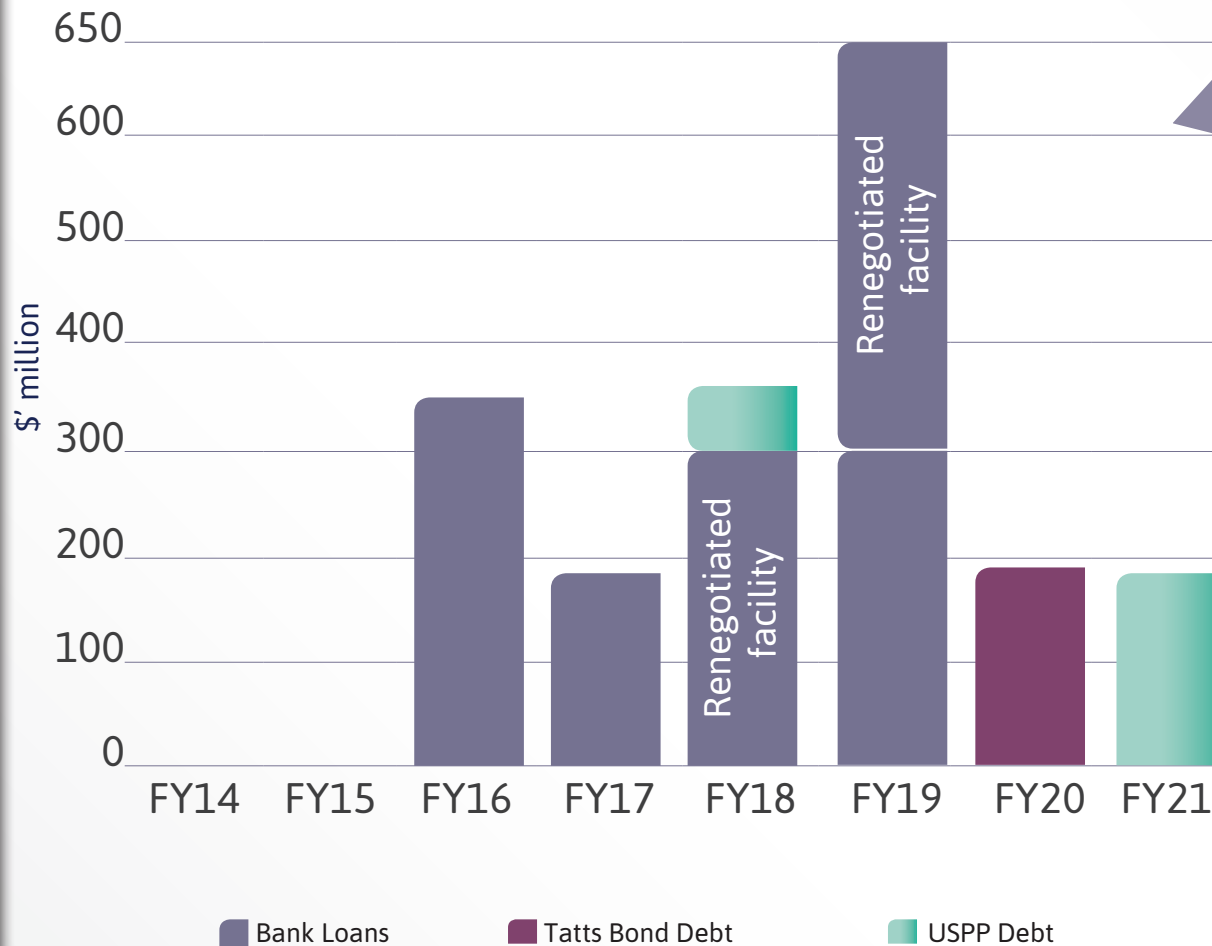
Half-Year Results FY14

	At 31 Dec 2013 (\$'m)	At 30 Jun 2013 (\$'m)	Change%
ASSETS			
Current assets	665.8	613.4	▲8.5%
Intangible assets	4,554.6	4,553.3	▲0.0%
Property, plant & equipment	207.9	186.2	▲11.7%
Other non-current assets	86.9	92.2	▼5.6%
Total assets	5,515.2	5,445.1	▲1.3%
LIABILITIES			
Current liabilities	1,126.7	1,059.9	▲6.3%
Non-current liabilities	1,570.2	1,624.7	▼3.4%
Total liabilities	2,696.9	2,684.6	▲0.5%
TOTAL EQUITY	2,818.3	2,760.4	▲2.1%

- Net debt (excluding prize reserves) \$1,334.9m (H1 FY13: \$1,538.7m)
- Increase in property through the acquisition of new HQ site
- Underlying half-year capex of \$36.0m with a further \$12.7m capex for our new HQ
- FY14 underlying capex expected to be in the region of \$75m
- Total depreciation and amortisation of \$41.3m (H1 FY13: \$41.7m)
- \$30.3m depreciation and \$11.0m amortisation of licences and rights to operate
- \$350m of debt in current liabilities has now been refinanced

Half-Year Results FY14

Debt Facility Maturity Profile - Negotiated February 2014



- Debt/EBITDA 2.6x (30 Jun 2013: 2.7x)
- Interest expense reduced to \$47.8m (H1 FY13: \$49.0m) despite increased borrowings of \$427m in December 2012 on the acquisition of the SA Lotteries management rights
- Refinance of \$350m facility due in March 2014 has been renegotiated to a new five-year term
- Extended term to FY18 on \$300m facility due in FY15 on improved margins
- Debt maturity profile further extended to 4.3 years (30 Jun 2013: 3.5 years)
- DRP continues including a 1.5% discount



Renewal Program - initiatives delivered include

- 24/7 fixed odds betting on racing
- addition of fixed odds betting on greyhounds and trotting racing complementing the Group's successful fixed odds offering on thoroughbreds
- significant increase in our team of bookmakers
- establishment of a dedicated "in-house" wagering marketing team
- launch of a number of new bet types and promotions
- implementation of sophisticated Customer Relationship Management (CRM) system across wagering and lotteries
- roll out of self-service betting terminals enabling the Group to extend its retail network into a wider range of venues
- engaging with racing clubs across all our operating jurisdictions and establishing on-course presence for TattsBet brand
- new SA Lotteries website
- new product offering for lotteries (multi-jurisdictional scratch-its and Monday Lotto)

Renewal Program - initiatives in progress include

- further expansion of Tatts' team in Queensland
- launch of a new retail brand and image for Tatts' wagering operation
- major wagering marketing campaign to commence
- expansion of Brisbane technology hub
- continual expansion of our specialist online team (front-end developers, system architects, user experience experts, online marketers, social media tacticians)
- expansion of our two Brisbane located data centres
- construction of purpose built HQ
- new generation wagering retail outlets rolling out in Queensland
- self service terminals providing cash, ticket-in ticket-out and debit card handling capabilities
- launch of new 'state of the art' wagering website
- introduction of a rewards program
- enhanced 'in-play' betting offer

Looking forward

- Outlook positive
- Strong start to second half
 - January revenues up 7% - driven in part by the Christmas/New-year Saturday Lotto Megadraw on 4 January 2014
 - Strong “drop-through” to NPAT
- Wagering sales (second half to date) up 3.3% with pari-mutuel win rate improving, racing and sport fixed price win rate showing slight softness but remaining comfortably at double digit levels
- The key business initiatives now in focus are:
 - launching a new retail brand and image for Tatts’ wagering operations
 - commencement of wagering marketing (both traditional and online)
 - roll-out of new generation of wagering retail outlets in Queensland, South Australia, the Northern Territory and Tasmania
 - the launch of a new wagering website (currently in development)
 - the launch of a new lotteries website

Half-Year Results FY14



Highlights | Results | Licences | Lotteries | Wagering | Gaming | Balance Sheet | Looking forward



Thank You

