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ASX RELEASE

Tatts Buys NSW Lotteries

NSW Government announced today that Tatts Group is the successful bidder for NSW Lotteries for \$850M.

Tatts Chief Executive, Dick McIlwain, said the company's acquisition of NSW Lotteries is a logical and natural expansion of its lottery businesses in Queensland, Victoria, Tasmania, Northern Territory and the ACT.

Tatts Lotteries produced earnings before tax, interest, depreciation and amortisation (EBITDA) of \$119M in 2009. The acquisition of NSW Lotteries is expected to produce an additional \$120M of EBITDA by 2014.

McIlwain said that Tatts considered the NSW Lotteries acquisition to be low risk. It offered considerable value to the company by creating the opportunity to repeat the success it achieved when it bought Queensland's Golden Casket for \$542M in 2007 on similar transaction multiples. This acquisition saw Tatts Lotteries' EBITDA increase from \$35M in F2007 to \$119M last financial year.

The consolidation of state-owned and Tatts lottery operations will drive significant operating efficiencies and offers considerable benefits from moving to a single operating system according to McIlwain. Coupling these benefits with the relatively favourable fiscal regime provides Tatts with a reliable and low risk investment which will secure the future of its lotteries business around Australia.

McIlwain said he is confident that the transaction will progressively deliver the integration benefits and outcomes forecast for the 2014 financial year as some of the Government's commitments on operational matters are similar to those faced when Tatts acquired Golden Casket.

The transaction will be funded with debt and cash. The debt has been provided through an increase and extension of the existing corporate facility with the same syndicate of six banks, including the top four Australian banks. Importantly, the NSW Lotteries acquisition presents the opportunity to increase Tatts' earnings per share before expected one off integration costs of \$14M spread over a three year period.

Tatts maintains a strong balance sheet. The new transaction has not changed the company's view that the current debt covenants will be maintained and comfortably achieved well beyond 2012 while maintaining the current dividend policy.

The transaction is expected to complete at the end of March.

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