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ASX RELEASE

Tatts wins right to manage the South Australian Lotteries business

The South Australian Government announced today that Tatts Group is to be appointed to exclusively manage the lottery and wide area Keno service in South Australia for a period of 40 years on behalf of the Government owned Lotteries Commission of South Australia.

Tatts has agreed to pay upfront consideration of \$427M which will be funded from existing debt facilities. The transaction will be immediately Earnings Per Share (EPS) accretive.

Tatts Chief Executive, Dick McIlwain, said:

"The extension of Tatts Lotteries business into South Australia is a logical and natural expansion of our lottery businesses in Queensland (QLD), New South Wales (NSW), Northern Territory (NT), Victoria (VIC), Tasmania (TAS), and the Australian Capital Territory (ACT). It continues our track record of securing higher margin lottery franchises with longer term arrangements and is expected to be immediately EPS accretive."

"The SA Lotteries transaction is another opportunity to repeat the successes Tatts achieved when we bought Queensland's Golden Casket in 2007 and NSW Lotteries in 2010 on similar post synergy transaction multiples. They have seen Tatts Lotteries' EBITDA increase from \$35M in F2007 to \$224M in FY2012, a CAGR of 45%."

The SA Lottery business has an attractive fiscal regime for retail lottery sales with an operator margin of 15.8%. Keno produces an operator margin of 5%. This compares with average margins of 10.5%, 9.2% and 3.9% for the QLD, NSW and VIC lottery regimes respectively.

Golden Casket and NSW Lotteries will have doubled their EBITDA within four years of Tatts ownership. The inclusion of the South Australia Lotteries business is anticipated to produce broadly similar outcomes and is expected to contribute to Tatts Lotteries EBITDA exceeding \$300M in FY2014, in a normal year of jackpots. Tatts Lotteries EBITDA will be boosted further in FY2015 from the migration of SA's lottery system to Tatts' in-house system.

Tatts Group Chairman, Harry Boon added:

"The Company's strategy of consolidating state-owned and Tatts' lottery operations continues to drive significant operating efficiencies and benefits from a single lottery operating system. Coupling these benefits with the relatively favourable South Australian fiscal regime provides Tatts with a reliable and low risk investment which will assure the future of our lotteries business around Australia. Additionally, **Tatts.com** will add to the online service offering to SA Lotteries players."

Tatts maintains a strong balance sheet, and the funding of this transaction will not change the ability to comfortably operate within the current debt covenants in and well beyond FY2013 whilst maintaining the current dividend policy.

The appointment is expected to take effect on December 10.



Background Information

Term of Agreement – 40 years from December 2012

Agreement Provides

- That the Government-owned Lotteries' Commission of South Australia (Commission) retain ownership of the SA Lotteries' brands and products
- Tatts is granted an exclusive right to use these brands and products throughout the 40 year life of the agreement
- Tatts will have a number of reporting and compliance obligations to the Commission throughout the life of the agreement

Agreement Covers

- Multi jurisdiction draw lotteries which generated net sales of \$264M in FY2012 with an operator margin of 16.2%*
- Instant lotteries which generated net sales of \$38M in FY2012 with an operator margin of 13%*
- Keno which generated net sales of \$91M in FY2012 with an operator margin of 5%*

(* after agent commission)

Distribution Network

- 576 lottery agents with protected continuity and commissions for five years, with an option for another five years
- Opportunity to introduce Tatts.com to sell multi jurisdiction games

Tatts Lotteries

- Reported EBITDA for FY2012 was \$224M
- Integration costs are not material and EPS accretion is immediate
- Tatts' lottery operating system/software to be extended to Queensland in mid-2013 and SA Lotteries in 2014

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