

Tatts Group Limited - 2016 Annual General Meeting Chairman's and Managing Director/CEO's Address

Attached are copies of the Chairman's and Managing Director/Chief Executive Officer's addresses to be presented at Tatts Group Limited's Annual General Meeting, commencing at 2.00pm (Brisbane time), Thursday 27 October 2016.

A copy of the presentation which accompanies these addresses will follow.

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TATTS GROUP LIMITED
ABN 19 108 686 040
ANNUAL GENERAL MEETING
27 OCTOBER 2016

**CHAIRMAN AND MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER AGM
SPEECHES**

Good afternoon Ladies and Gentlemen,

My name is Harry Boon, and I am Chairman of your Company, Tatts Group Limited. On behalf of my fellow Directors and the Tatts Senior Executive Management Team, I am pleased to welcome you to the 2016 Annual General Meeting here in our home city of Brisbane at the iconic Brisbane City Hall.

This meeting is also being audio webcast live, so a warm welcome to everyone listening online and a reminder that all the presentations being given today are available on our corporate website, tattsgroup.com.

As it is past the appointed time and a quorum is present, I now declare this meeting of members of Tatts Group Limited open. Before we proceed, I ask that you please turn off or silence your mobile phones and also remind you that the use of recording equipment is prohibited at this AGM. Thank you.

The Notice of Meeting and the Annual Report were sent to shareholders and the ASX on 26 September 2016 and I will take the Notice as being read.

Tabling of Financial Reports, Directors' Report and Auditors Report

We can now turn to the first item of ordinary business, which is the tabling of the Group's financial reports and the directors' and auditors' reports. These reports were lodged with the ASX on 18 August 2016 and sent to shareholders on 26 September 2016. As the Corporations Act does not require a vote on these reports, they will be tabled, but will not be the subject of a resolution. I now table the Financial Report of the Company and its controlled entities for the year ended 30 June 2016, together with the related Directors' Report and Auditor's Report.

Before I call on Robbie Cooke, our CEO and Managing Director to address you in greater detail about the company's activities in FY16 and plans for FY17, I will provide an overview of the announcement made last week regarding the proposed merger with Tabcorp. Shareholders will then have an opportunity to comment and ask questions before we proceed with the formal business of the AGM as per the notice of meeting.

The announcement last Wednesday of the proposed merger with Tabcorp is a defining moment in history for Tatts and follows a previous attempt almost a year ago to achieve a similar outcome by a 'nil premium merger of equals'. In many ways, we are familiar with this merger approach, as, back in 2006, we successfully merged UNiTAB and Tattersall's. Whilst Wednesday's announcement delivers, in effect, the same combination attempted last year, creating a world-class, diversified gambling entertainment group, the financial outcome for our

shareholders is significantly enhanced this time around, as I will discuss in more detail in a moment.

The transaction is based on compelling commercial logic, underwritten by a strong and tangible synergy proposition. It will create a group with:

- a pro-forma enterprise value of approximately \$11.3 billion;
- revenue of over \$5 billion;
- EBITDA of over \$1 billion;
- a national footprint; and,
- product offerings across wagering, media, lotteries, keno and gaming services.

The combination will be achieved via a Tatts Scheme of Arrangement, under which Tatts' shareholders will receive 0.80 Tabcorp shares plus 42.5 cents in cash for each Tatts share held. This represents a premium of approximately 20.8% on Tatts' closing share price on 18 October 2016 of \$3.59 per share. On completion of the transaction, existing Tatts shareholders will own approximately 58% of the combined group.

Bringing the companies together will allow at least \$130 million of annual EBITDA synergies and business improvement efficiencies to be unlocked, as well as an additional \$50 million each year benefit to the Australian racing industry. These synergies and benefits are expected to be fully realised after two years of integration which will start after regulatory approval of the transaction.

To secure the 20.8% premium for our shareholders as well as 58% of the combined company's shares, the synergies and future growth, we agreed to hand control to Tabcorp. Tabcorp's CEO, David Attenborough, will lead the combined group under the stewardship of Tabcorp's current board chaired by Paula Dwyer. I have been invited to join the combined group's board as a non-executive director, and Tabcorp's Chief Financial Officer, Damien Johnston, will assume the CFO role for the enlarged group.

This structure means that, our own CEO and Managing Director, Robbie Cooke, will depart Tatts when the transaction is completed, expected to be mid 2017. Robbie and his team will by then have completed a very successful 4.5 years guiding Tatts' fortunes, a period which has generated significant value for our shareholders. I am pleased to say Robbie has committed to seeing us through this critical period during which we have to remain focused on running the business while we also navigate a multitude of regulatory and legal approvals, none of which are 100% certain. As prudent business people, we have to anticipate and prepare for a possible scenario where the transaction may not proceed should we fail to secure these prerequisite approvals.

Your Board believes the value accretion for Tatts shareholders from this transaction fairly reflects the strategic value of our businesses. Further, the share for share or scrip consideration allows Tatts shareholders to participate as shareholders in the combined group, with ongoing exposure to the future growth of the enlarged wagering business, while also retaining exposure to Tatts' unique and highly attractive lotteries business.

In addition to our shareholders, the benefits of this combination are also very clear for the racing industry and for customers who should, in due course and with racing industry support, be able to access deeper and more liquid wagering pools.

I say all this with the benefit of the extensive and detailed review your Board has undertaken over the last 18 months in evaluating many different options to maximise the value of Tatts'

portfolio of assets. This review included considering demerging certain business units, selling certain assets and/or combining Tatts with other groups.

The result of this review allowed us to conclude that the proposed Tabcorp transaction is in the best interests of shareholders and to unanimously recommend that shareholders support the transaction, subject to an independent expert concluding that the transaction is in the best interests of Tatts shareholders and in the absence of a superior proposal.

In the meantime we want to assure all our shareholders that our management and entire team will remain focused on driving the Tatts business and delivering best in class products for our customers and other industry stakeholders.

As Queensland's third largest listed company and a significant employer in Queensland, we are sensitive to the possible impact on jobs in Queensland arising from this combination. We note the comments of Paula Dwyer, Tabcorp's Chairman at their AGM on Tuesday to the effect that they intend to maintain a substantial presence in Brisbane in addition to their current operations in Melbourne and Sydney. We note also that Tabcorp does not have its own Lotteries and Lotteries Technology teams, both of which are currently based here in Brisbane. We would also anticipate that many of our expert team members across all business units would be needed by Tabcorp to drive and grow the combined Group.

Ladies and Gentlemen, it is now my pleasure to hand over to Robbie Cooke, who will provide you with his report as Managing Director and CEO.

ROBBIE COOKE, MANAGING DIRECTOR AND CEO

OVERVIEW OF FY16

Thanks Harry and good afternoon ladies and gentlemen.

It is my pleasure to be here today for my fourth time and to have the opportunity to talk you about our successful 2016 financial year.

Looking back at the year, it was powered by two key features - our very successful digital initiatives and Lotteries' standout performance. The category leading growth in our digital sales was nothing short of spectacular, with Lotteries lifting 32.2% and Wagering digital sales up 22.5%.

This follows three years of intense effort in building a crack team of digital evangelists empowered with market-leading technology who have establish 'best-in-class' digital assets and marketing initiatives. We are now really starting to reap the rewards of this multi-year investment.

In combination, the excellent result delivered by our Lotteries team, coupled with our strongest ever digital sales across Lotteries and Wagering, underwrote a 4.4% increase in Group revenues reaching \$2.93 billion. At the NPAT level we produced a continuing operations result of \$263.4 million up 3.8% on the prior year.

Beyond the financial result, your team here at Tatts delivered a number of other significant business achievements in the year. These included:

- winning the exclusive monitoring rights to about 97,000 gaming machines in New South Wales for a further 16 years;
- launching the first new draw lottery game in Australia in 20 years, Set for Life;
- releasing our first lotteries dedicated app with an impressive 1.3 million downloads to-date;

- launching our national umbrella lottery brand, 'the Lott'; and
- winning the exclusive wagering retail licence in the Northern Territory for a further 20 years.

The disappointment in the year was of course the High Court of Australia's decision in our Victorian pokies compensation claim. We have repaid the State \$540.5 million plus pre-tax interest of \$26.6 million. This outcome, and the loss on the sale of our UK slots business, saw our statutory NPAT fall 7.2% on the prior year.

Our strong continuing operations performance, coupled with our long-standing commitment to high dividend payout ratios, saw your Board determine a final dividend of 8.0 cents per share, up from 7.5 cents in the prior year.

This takes the total dividend paid for the 2016 financial year to 17.5 cents, an increase of 6.1% over FY15. It represents a 97.3% payout of our continuing operations profits and is the tenth year since listing on the ASX that our dividend payout has exceeded 90% on a continuing operations basis.

Also noteworthy is the fact we again outperformed the ASX200 index (and our peers) on the important metric of total shareholder return. TSR for FY16 from a combination of dividends and share price growth was 8.0%, compared to a 1.1% growth rate by the ASX200.

As Australia's largest non-casino gambling group, we take our responsibilities as a corporate citizen very seriously. We respect and understand that our licences and authorities to operate are privileges granted by government, and that they come with significant responsibility and obligation. Our record in this respect is unblemished.

We have made considerable progress in the areas of diversity, development of our people, safety and environmentally sustainable business practices.

Our support to our communities is multi-faceted.

Most significant is our financial contribution to the broader community via our tax contribution in all the states and territories in which we operate, together with the funds provided directly to the racing industry. In addition to our corporate taxes, in FY16, we paid a total of \$1.4 billion to state and territory governments and industry partners in the form of lottery taxes, wagering tax, racing industry product fees and race information fees.

Our commitment however goes significantly beyond our tax contribution. We are a very active supporter of a range of charitable causes and programs and remain focused on ways we can do more. This year we established a new division within Tatts specifically focused on fund raising activities for the charitable and not-for-profit sector. Our aim here is to supply innovative products and technology solutions that are capable of making a real difference to charitable organisations in their fund raising endeavours.

Innovation remains at the forefront in FY17 as our teams look for new and creative ways to organically grow our businesses across all our distribution channels.

In Lotteries some of our planned initiatives are:

- The continued roll-out of our new national umbrella brand, '**the Lott**', to provide a consistent and seamless brand experience, whether a customer is shopping online, from a desktop, on a mobile device or in a retail outlet. This branding emphasises our place as 'Australia's Official Lotteries'.
- The launch of our new lotteries website. This new site will complement our new app and provide a leading online experience with convenient access to our extensive family of lotteries products.

- The rollout of our lotteries DigiPOS system will continue - already in 250 retail outlets it enhances our ability to showcase products and promotions.
- We are also installing new Instant Scratch-Its merchandising displays in our retail outlets – this lifts the visual impact of ‘scratchies’ in busy retail environments.

These initiatives in combination are the backbone of our lotteries omni-channel strategy - seamlessly providing our products to our customers in a unified, easy, convenient and trusted way, whenever that winning feeling strikes

Wagering will be focused on initiatives including:

- The roll-out of a further 270 next generation UBET retail outlets. Having seen impressive sales growth from these converted stores in FY16, we look forward to the improved results additional outlets will generate in the next 12 months.
- Customers will start to see our new generation self-service terminals in UBET retail outlets, featuring cash in, and Ticket-in-Ticket-out technology.
- This year will see enhancements to our UBET app occurring on a rolling and frequent basis, with new features, functionality and user experience initiatives being added continuously.
- We are excited to be getting our in-the-field prototype customer module for in-play betting ready for a full retail launch.
- Initiating affiliate marketing programs to further drive our digital demand.
- Launching our first virtual sports and racing products in the Northern Territory.

In Gaming, we are in the final stage of exclusive confirmatory due diligence in relation to Intralot’s Victorian and New Zealand monitoring businesses – this presents a logical bolt on to our MAX monitoring business with significant operating efficiencies on offer. These assets have the same attributes as our other monitoring operations which generate very predictable cashflow from long-term government licences - a true infrastructure style asset.

Outside our operations, the Victorian Government is expected to announce a decision in relation to the Victorian Lotteries licence towards the end of FY17, and we continue to work with the relevant authorities in South Australia in relation to our wagering retail exclusivity. These two decisions will conclude three years of huge effort to secure our portfolio of licences and authorities to operate for the foreseeable future.

In closing I would like to also highlight that the regulatory outlook has improved in a number of important respects for our businesses.

The Federal Government’s decision to retain and enhance the provisions of the Interactive Gambling Act to stamp out ‘click-to-call’ in-play betting products and other illegal betting activities is a positive step. The government should be commended for its leadership on this important issue.

The second positive movement in the regulatory environment is the gradual awakening of state and territory governments to the taxation leakage occurring from certain wagering companies operating out of virtually tax free jurisdictions.

In closing I would like to thank the entire team at Tatts for their efforts in the year – it is only with a team like ours that results like those presented to you today can be achieved.

Also my thanks to you for taking the time to be here today at our AGM – thanks for listening.