

TATTS REPORTS FY17 HALF-YEAR RESULT

Brisbane, 16 February 2017 – Tatts Group this morning reported its half-year statutory after tax profits, delivering a \$122.8 million result which included \$10.4 million in merger costs (H1 FY16: \$147.0 million).

The result, which was down 16.5% on the same period last year, reflected both the challenge of cycling over last year's all-time record Powerball and Oz Lotto jackpot run, and the continuing investment required for UBET to sustain its position in what is a hypercompetitive sector. These issues were, to an extent, offset by strong growth in the Group's portfolio of non-jackpotting lotteries games; healthy sales performance in all digital channels; significant improvements in UBET's win-rates; and stable performance by the Group's gaming operation.

Tatts' lotteries team faced-up to the strongest jackpot performance in the history of the business – with H1 FY16 producing an exceptional 24 jackpots at or above the influential \$15 million mark. This proved to be an insurmountable hurdle, with Powerball and Oz Lotto generating 15 equivalent jackpots and a significantly reduced first division jackpot pool (at or above \$15 million) at \$345 million compared to \$730 million in the same period last year. This tracked through to a 25.9% decrease in revenue from Powerball and Oz Lotto at \$349.1 million (H1 FY16: \$471.0 million).

Counterbalancing the jackpot challenge, Tatts' non-jackpot games (including its largest game, Saturday Lotto) delivered strong growth with revenues up 6.9%. This performance however was not able to match the overall revenue outcome achieved in the first half of FY16, with lotteries revenue in the reporting period down 8.2% at \$1,018.1 million (H1 FY16: \$1,109.1 million) and earnings before interest and tax (**EBIT**) down 10.7%.

The wagering environment continued to be highly competitive and there is no expectation this will abate. Tatts nonetheless saw positive signs in its UBET operation with blended win-rates increasing to 15.6% up from 15.2% in the prior corresponding period – and representing a significant improvement on H2 FY16's 14.3% win-rate. This follows a focus on win-rate optimisation, and enhancements to UBET's fixed price risk management systems. The repositioned UBET brand continued to gain traction with unprompted brand awareness reaching 15% (H1 FY16: 7%) and is performing strongly in the retail network. 280 wagering outlets were upgraded to the new UBET format and outperformed their non-refurbished peer group in surrounding locales by 6.5%.

UBET saw its fixed price sports betting revenue increase an impressive 22.5% on improved win-rates in the half. Overall fixed price revenue (racing and sport) increased 8.4% benefiting from increased turnover (up 3.0%) and an improved blended win-rate (13.7% vs 13.1% in H1 FY16). This was not sufficient though to offset the decline in pari-mutuel betting revenue which fell 9.5% as the migration from the tote to fixed price betting continued the trend seen in prior years.

UBET's heightened focus in the reporting period on risk management of customers in retail and the refinement of its promotional offers, did impact turnover growth in the half which was down 4.6%. Turnover growth was also dampened by the loss of an additional 174 races in the period due to poor weather. This turnover contraction was partially offset by the improved blended win-rate with overall wagering revenue down 2.5% at \$317.8 million. The lower revenue outcome and continued investment in the wagering business resulted in EBIT being down 15.2% at \$57.9 million.

With the benefit of strong operational cashflows, the Board's confidence in the Group's businesses and consistent with the commitment to a high dividend payout ratio, Tatts' Board determined an interim dividend of 9.5 cents per share (H1 FY16: 9.5 cents per share). This represents a 113.6% payout ratio on statutory net profit after tax. Under the terms of the Merger Implementation Deed with Tabcorp, and consistent with a mutual obligation, the operation of the Group's dividend reinvestment plan has been suspended and will not operate for the interim dividend.

H1 FY17 HEADLINES

- * Statutory net profit down 16.5% to \$122.8m or down 15.2% on a continuing operations basis to \$123.5m
- * 9.5 cents per share dividend – 113.6% pay-out ratio on statutory net profit
- * 13.5% of all lotteries sales online (H1 FY16: 13.2%)
- * 31.0% of all wagering turnover online (H1 FY16: 28.8%)
- * 15 jackpots at \$15m or more – average \$23.0m 1st division jackpot (H1 FY16: 24, average 1st division jackpot \$30.4m)
- * Lotteries EBIT margin - 14.4% (H1 FY16: 14.9%)
- * Wagering win rate of 15.6% - up from 15.2% in H1 FY16 and 14.3% in H2 FY16
- * 280 new UBET branded retail venues – 6.5% growth against benchmark set

SUMMARY OF RESULTS (see Appendix A for more detail)

	H1 FY17	H1 FY16	% change*
Revenue + other income	\$1,425.0 million	\$1,530.2 million	▼ 6.9%
EBITDA	\$235.1 million	\$265.6 million	▼ 11.5%
EBIT	\$195.2 million	\$228.3 million	▼ 14.5%
NPAT (continuing operations)	\$123.5 million	\$145.5 million	▼ 15.2%
NPAT (statutory)	\$122.8 million	\$147.0 million	▼ 16.5%

* Percentages based on full reported numbers (i.e. non-rounded source data).

COMMENTARY

Tatts this morning reported its half-year statutory after tax profits, announcing a \$122.8 million result which included \$10.4 million in merger costs. On announcing the result Robbie Cooke, Tatts' CEO and Managing Director, discussing the lotteries results said:

"We exited the first half of 2016 with 24 jackpots at or above the influential \$15 million level – the strongest jackpot run in the history of our business. It was always going to be a herculean task to match this and the outstanding revenue it delivered. The jackpot run in fact did not play our way – we reached 15 equivalent jackpots from our Powerball and Oz Lotto games. This saw our first division jackpot pool (at or above \$15 million) for Oz Lotto and Powerball significantly down at \$345 million compared with \$730 million in the same period last year and caused revenue from these games to drop almost 26% from \$471.0 million back to \$349.1 million.

Pleasingly though, the performance of our non-jackpot games including our largest game – Saturday Lotto, stepped up as expected in softer jackpot periods. These games performed very strongly achieving 6.9% revenue growth however this was not enough to balance the ledger – with overall lotteries revenue in the reporting period closing 8.2% down at \$1,018.1 million (H1 FY16: \$1,109.1 million) and EBIT similarly was down by 10.7%".

Commenting on the performance of UBET, Tatts' wagering division, Cooke said:

"We changed our focus from concentrating on turnover growth to improving win-rates for our fixed price book in the half. We enhanced our fixed price risk management systems and refined our promotional offers. These initiatives saw our blended win rate lift to 15.6% from 15.2% last year – and significantly improve on the 14.3% in the second half of FY16 when we were particularly targeting new customer acquisition.

In our major Queensland market the bonusing activity undertaken by our extensive competitor pack continues, aggressively offering financial inducements to Queenslanders to establish accounts out of the State. This activity is unlawful elsewhere in Australia and will continue unabated until there is political leadership to bring Queensland into step with the rest of the country. Inertia on this issue is to the detriment of the Queensland Racing Industry, Queensland taxation receipts and UBET as the State's licensed operator.

Our heightened emphasis on risk management of customers in retail and a more disciplined approach to our promotional offers, did have an impact on turnover growth in the half which was down 4.6%. This reduction in turnover did not have as pronounced an effect on revenues which benefited from the improved win-rate, and as such wagering revenue was down 2.5% at \$317.8 million.

The repositioned UBET brand – which has been in the market for about 20 months now – continued to deliver improved turnover outcomes in our retail network. 280 wagering outlets have been upgraded to the new UBET format and these agencies out-performed their non-refurbished regional peers by 6.5%.

UBET's digital performance remained strong in the half with 31.0% of turnover sourced from our digital channels compared to 28.8% a year ago.

The softer revenue result saw our wagering EBITDA down at \$67.5 million compared to \$76.9 million in the same half last year, and our margin contract from 23.6% to 21.2%. Our margin was impacted by several items including higher telecommunications costs in retail venues to improve our risk management in fixed price betting and the continued investment in digital and marketing to remain competitive. EBIT for the period was \$57.9 million as against \$68.3 million achieved a year ago."

Turning to the current merger process with Tabcorp he commented:

"Unsurprisingly the merger has been a prime focus for us over the last four months with a considerable amount of our resources and effort being invested in the process. We are comfortable with progress to date.

From the outset in engaging with Tabcorp we recognised not only the benefits the merger would bring but also the need to anticipate and prepare for all possible scenarios and importantly to retain our focus on running our business 'as usual' while navigating the uncertain approval process which was never going to have a short time fuse.

The unavoidable truth when involved in corporate activity of this type, is it does bring a large amount of distraction to any business. Faced with this we have done all that is possible to keep our team focused on those initiatives in our playbook which are viewed as critical for our business success, whether with or without the merger. We have also been particularly concerned to do all that we can to keep the highly talented team we have established together through this uncertain period, and, to keep the enthusiasm, energy and excitement the team has for our business alive."

More detailed commentary with respect to each of the Group's operations is set out below:

LOTTERIES PERFORMANCE

	H1 FY17	H1 FY16	% change*
Revenue	\$1,018.1 million	\$1,109.1 million	▼ 8.2%
EBITDA	\$159.8 million	\$177.6 million	▼ 10.0%
EBITDA Margin	15.7%	16.0%	
EBIT	\$147.1 million	\$164.7 million	▼ 10.7%
EBIT Margin	14.4%	14.9%	

*Percentages based on full reported numbers (i.e. non-rounded source data).

The reporting period saw our lotteries operation cycle over the strongest jackpot run experienced in the history of the business – we exited the first half of 2016 with a spike of 24 jackpots at or above the influential \$15 million level. It was always going to be a major challenge to replicate this exceptional jackpot outcome and to beat the outstanding revenue (and operating leverage) it delivered. The hurdle proved too high, with our Powerball and Oz Lotto games generating only 15 jackpots at or above the \$15 million mark. The impact of this being seen in our first division jackpot pools for Oz Lotto and Powerball (at or above \$15 million) which totalled \$345 million (at an average of \$23.0 million per jackpot) compared with \$730 million (at an average of \$30.4 million per jackpot) in the same period last year. This translated to a 25.9% decrease in revenues from those games at \$349.1 million (H1 FY16: \$471.0 million).

Oz Lotto/Powerball	H1 FY17	H1 FY16
Number of Jackpots (\$15 million and above)	15	24
Total 1st division jackpot pool (\$15 million and above)	\$345 million	\$730 million
Average 1st division jackpot (\$15 million and above)	\$23.0 million	\$30.4 million

Pleasingly the balance of our lotteries game portfolio, including our largest game – Saturday Lotto, delivered strong growth in the reporting period. These games drove 6.9% revenue growth, with:

- Saturday Lotto sales lifting strongly with less competition from jackpot games;
- Set For Life, our first new draw-lottery game in 20-years, again performing to our business case and achieving outstanding digital sales at 23.1% (up from 22.4%) of total sales;
- Instant Scratch-Its showing impressive growth in Victoria after Tatts returned as the seller of this product in February 2015 with growth driven by the launch of multi-jurisdictional Scratch-It tickets.

This performance does reinforce the resilience of our non-jackpot suite of games in periods of fewer jackpots and the importance of a balanced portfolio of game types. In aggregate however the total revenue generated in the first half of FY16, fuelled by the exceptional jackpot run, was not able to be matched with revenue in the reporting period down 8.2% at \$1,018.1 million (H1 FY16: \$1,109.1 million).

Our online initiatives continued to deliver world class results. The increase in digital sales from 13.2% in H1 FY16 to 13.5% in the reporting period was a significant achievement given the lower jackpot run – recognising that a greater proportion of sales are typically achieved via digital channels during periods of stronger jackpot activity. Our online sales performance is category leading when compared to our global lottery cohort. Other measures reinforcing our strong digital performance in the half were:

- 1.53 million customers with active lottery accounts across our digital channels (H1 FY16:1.36 million) – an increase of 170,000 customers;
- 1.57 million 'the Lott' app downloads – up from 1.01 million in H1 FY16;
- #1 lottery website/app in Australia;
- Set For Life achieving 23.1% of its sales via digital channels (H1 FY16: 22.4%);
- Lucky Lotteries achieving 19.0% of its sales via digital channels (H1 FY16: 17.7%).

Our 3,880 (H1 FY16: 3,935) strong retail channel continues to be the powerhouse of our network, it was impacted by the jackpot cycle with total sales down 8.3%. Our retail network includes 181 convenience fuel outlets operational in the half year. The introduction of our digital point of sale displays (DigiPOS) at our retail venues together with the retail image refresh in New South Wales are but some of the initiatives in progress designed to underwrite our retail performance for the future.

EBITDA declined 10.0% to \$159.8 million on the lower revenue result, with EBIT also declining 10.7% to \$147.1 million. EBIT margin for our lotteries operation was 14.4%, slightly down on the 14.9% margin achieved in H1 FY16 reflecting a number of factors including: a step up in marketing spend (digital and traditional); launch costs for 'the Lott'; and some loss in operational efficiencies of scale achieved last year from the jackpot outperformance – which is consistent with a significant component of our lotteries cost base being fixed such that lower revenue had a greater impact on EBITDA and EBIT margins. Overall, lotteries costs decreased 7.9% in the period.

WAGERING PERFORMANCE

	H1 FY17	H1 FY16	% change*
Turnover	\$2,040.7 million	\$2,139.9 million	▼ 4.6%
Revenue	\$317.8 million	\$326.0 million	▼ 2.5%
EBITDA	\$67.5 million	\$76.9 million	▼ 12.2%
EBITDA Margin	21.2%	23.6%	
EBIT	\$57.9 million	\$68.3 million	▼ 15.2%
EBIT Margin	18.2%	21.0%	

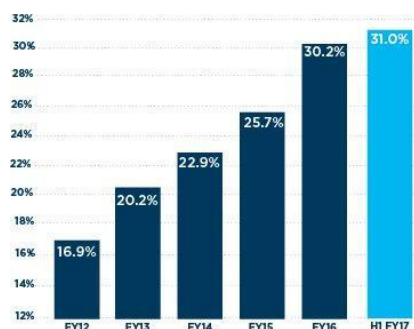
*Percentages based on full reported numbers (i.e. non-rounded source data).

Our new wagering brand, UBET, has been in the market for a little over 20 months and continues to build awareness, in what remains a very cluttered and noisy sector, with our unprompted brand awareness increasing from 7% in H1 FY16 to 15%. In our major Queensland market the promotional bonusing activity undertaken by our extensive competitor pack continues, aggressively offering financial inducements to Queenslanders to establish accounts out of the State. This activity is unlawful elsewhere in Australia and will continue unabated until there is political leadership to bring Queensland into step with the rest of the country. Inertia on this issue is to the detriment of the State's racing industry, Queensland taxation receipts and UBET as the State's licenced operator.

From an operational perspective we have increased our focus on win-rate optimisation; enhanced our fixed price risk management systems across sports and racing; improved our product offering to customers; and refined our communications to our extensive customer database. Importantly our risk management initiatives did see UBET's blended win-rate lift to 15.6% from 15.2% in the same period last year and was a significant improvement on the 14.3% win-rate delivered in the second half of FY16 when we were particularly focused on new customer acquisition. The heightened focus in the reporting period on risk management of customers in retail and the refinement of our promotional offers, did however impact our turnover growth in the half which was down 4.6%. Turnover growth was also dampened by the loss of an additional 174 races in the period (672 lost in total) due to poor weather and by reduced field sizes in some Victorian thoroughbred racing. The 4.6% reduction in turnover did not have as pronounced an effect on revenues which benefited from the improved win-rate, and as such revenue was down 2.5% at \$317.8 million.

Fixed price revenue (racing and sport) increased 8.4% to \$136.8 million (H1 FY16: \$126.2 million) with fixed price racing representing 88% of total fixed price betting revenues, while pari-mutuel revenue declined 9.5%.

UBET's digital performance remained strong with: 31.0% of turnover sourced digitally (H1 FY16: 28.8%); a strong lift in UBET app downloads increasing to 391,111 app downloads up from 73,099 in H1 FY16; and 64,382 customers now signed-up to UBET+ (our loyalty and rewards program). We also undertook our first ever cross selling of wagering bets to lottery customers with 40,000 mystery bets sold for the Melbourne Cup from our lotteries website.



280 of our retail outlets have now been converted to the new UBET retailing format (H1 FY16: 54). These stores continued to outperforming their regional peers by 6.5% in the same period. The second half of FY17 will see the roll-out of our new generation self-service terminals with cash handling capability together with additional UBET format outlets.

With the softer revenue result, EBITDA for the period was down at \$67.5 million (H1 FY16: \$76.9 million) with a margin of 21.2% against 23.6% in H1 FY16. Our margin was impacted by a number of items including higher telecommunications costs in retail venues to improve our risk management of fixed price betting and the continued investment in digital and marketing to remain competitive. EBIT for the period was \$57.9 million as against \$68.3 million achieved in the corresponding half.

Our current South Australian retail exclusivity is to be extended to 30 June 2017 and we are actively working with the South Australian racing industry and the South Australian Government to secure long-term exclusivity under our current South Australian wagering licence. A successful conclusion to these negotiations will close the chapter on the Group's wagering licence renewals after three years of negotiations in three jurisdictions.

GAMING PERFORMANCE

After divesting the Group's UK based slots business in FY16 and rebranding our gaming operation to MAX, our remaining two divisions, MAX (previously known as Maxgaming) and MAXtech (previously known as Bytecraft) delivered solid performances in the half-year off the back of the momentum generated in the prior reporting periods.

- **MAX** is the Group's Australian gaming venue services division and provides government-mandated monitoring systems to gaming venues in New South Wales, Queensland and the Northern Territory. MAX is uniquely positioned in its markets to leverage its network and infrastructure to provide additional value-add services to its contracted venues.

	H1 FY17	H1 FY16	% change*	
Revenue	\$60.5 million	\$59.6 million	▲	1.5%
EBITDA	\$33.0 million	\$32.5 million	▲	1.5%
EBIT	\$26.6 million	\$26.5 million	▲	0.3%

*Percentages based on full reported numbers (i.e. non-rounded source data).

MAX grew its revenue in the reporting period by 1.5% primarily from: annual contracted increases in monitoring fees; a 9.4% increase in the number of gaming machines installed with MaxConnect (now 15,740 machines); and a 32.0% increase in ticket-in-ticket-out installations (now operating on 7,427 machines).

After being awarded the exclusive right in FY16 to monitor all hotel and club based gaming machines in New South Wales until 2032, together with a one-year extension to our current monitoring arrangements until November 2017, we have been working to deliver a new monitoring system to New South Wales in FY18. The system replacement is progressing well and will present us with additional revenue earning potential once implemented in FY18.

EBIT for MAX was up 0.3% to \$26.6 million on revenue of \$60.5 million. There was a slight decrease in EBIT margin – down to 44.0% from 44.5% due to the continued investment in the New South Wales and Queensland monitoring systems.

- **MAXtech** provides fully managed time critical end-to-end technical support services nationwide to a portfolio of ASX top 50 companies and other everyday brand names.

	H1 FY17	H1 FY16	% change*	
Revenue	\$39.6 million	\$51.8 million	▼	23.4%
EBITDA	\$2.9 million	\$3.0 million	▼	5.5%
EBIT	\$1.2 million	\$2.0 million	▼	40.9%

*Percentages based on full reported numbers (i.e. non-rounded source data).

MAXtech revenue decreased 23.4% to \$39.6 million after the business continued its strategy of exiting or not-renewing several unprofitable contracts. Revenue from customers external to Tatts decreased to 57.9% from 67.7% in H1 FY16. The team at MAXtech are now focusing on securing contracts that match their core competency of providing time critical technical support services to gaming and network infrastructure operators and the cost base of the business has been repositioned to meet this refocus.

The exit/non-renewal of unprofitable contracts resulted in an EBITDA margin improvement to 7.2% with EBITDA coming in at \$2.9 million and EBIT at \$1.2 million.

We are in the final stage of negotiating and documenting the acquisition of Intralot's Victorian and New Zealand monitoring businesses which remains subject to regulatory approval – this presents a logical bolt on to our MAX business with significant operating efficiencies on offer. These assets have the same attributes as our other monitoring operations which generate very predictable cash flow from long-term government licences.

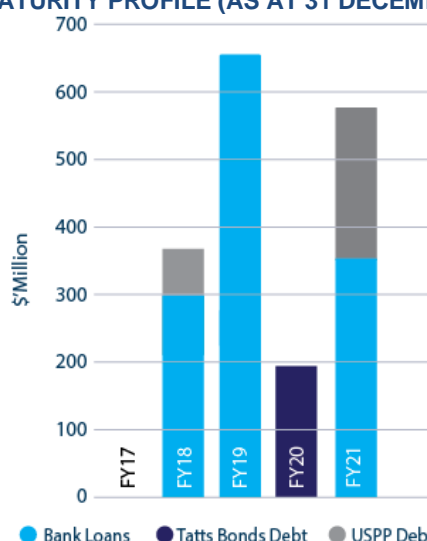
GROUP FINANCIAL POSITION

The Group remains in a position of financial strength reinforced by our first half financial performance. Committed debt facilities (as at 31 December 2016) totalled \$1.81 billion, of which \$1.17 billion was utilised. When netted against the Group's cash holdings (excluding prize reserves) net debt amounted to \$1.13 billion, which is comfortably serviceable considering our cash flow, profitability and future opportunities. This serviceability is reflected in our net debt to EBITDA ratio which sits at 2.5 times (2.1 times at 31 December 2015 excluding the compensation proceeds still held by the Group at that stage).

Net debt increased from \$523.7 million at 31 December 2015 to \$1.13 billion at 31 December 2016 reflecting: the repayment of the \$540.5 million pokies compensation proceeds to the State of Victoria in March 2016 plus \$26.6 million in the estimated interest benefit; the payment of the Queensland wagering licence \$30 million instalment; the payment of two instalments of the New South Wales monitoring rights totalling \$136.7 million in March and December 2016; and partially offset by the sale proceeds of \$218 million (GBP 111 million) from Talarius in June 2016. Despite the \$605.3 million year-on-year increase in our net debt position we tightly controlled our net finance costs (H1 FY17: \$24.0 million) representing a \$5.0 million increase (H1 FY16: \$19.0 million). This disciplined outcome reflecting favourable loan book repricing in September 2015, positive outcomes on our interest rate management, and continued strong cash generation from operations and capitalised borrowing costs for the monitoring rights.

In terms of the Group's debt maturity profile (see chart below), the \$300 million debt tranche maturing in September 2017 together with the \$76.3 million (US\$55 million) USPP 7-year debt which matures in December 2017 are now categorised as current liabilities.

DEBT FACILITY MATURITY PROFILE (AS AT 31 DECEMBER 2016)



Total capital expenditure for the reporting period was \$31.9 million. Forecast capex requirements for the second-half indicate a likely full-year capex spend in the vicinity of \$85 million (FY16: \$71.3 million). Half-year depreciation and amortisation of \$39.8 million (H1 FY16: \$37.3 million) includes \$12.3 million of amortisation of licences and rights to operate (H1 FY16: \$12.3 million).

Overall expenses (before merger costs of \$10.4 million) were well controlled showing a decrease of 6.6% (\$82.9 million). The lower expenses reflect:

- lower lottery tax and venue commission in line with the lower lotteries revenue; and
- a decrease of 24.6% in expenses in MAXtech due to the exit/non-renewal of unprofitable contracts.

These reduced expenses were partially offset by increases in:

- digital marketing spend reflecting the need to remain competitive in wagering and lotteries;
- marketing costs associated with the launch of “the Lott” brand;
- telecommunication costs to improve our retail fixed price offering; and
- merger costs of \$10.4 million recognised to date and noting that if the merger completes in the second-half, total costs are expected to be approximately \$60 million. This includes advisory fees, staff retention costs and costs incurred in the preparation of the scheme booklet.

Also of note, ‘other income’ includes a gain on sale (\$5.4 million) resulting from the disposal of a parcel of land held at Newstead, Brisbane. The use of available capital losses against the taxable gain had a positive impact on the effective tax rate which dropped to 27.9% from last year's rate of 30.5%.

DIVIDEND

With the benefit of strong operational cashflows, the Board's confidence in the Group's businesses and consistent with the commitment to a high dividend payout ratio, Tatts' Board has determined an interim dividend of 9.5 cents per share which is at the same level paid in respect of H1 FY16. The interim dividend will be paid on 3 April 2017, with a record date of 7 March 2017, and represents a 113.6% payout ratio on statutory net profit after tax.

LOOKING FORWARD

Unsurprisingly, the merger with Tabcorp has been a major focus for the business over the last four months with significant effort and resources being invested in progressing the transaction. From the outset when engaging with Tabcorp we recognised not only the benefits the merger would bring but also the need to prudently anticipate and prepare for all possible scenarios and importantly to retain the focus on running our business "as usual" while navigating the uncertain approval process which was never going to have a short timeline.

It also has to be recognised that corporate activity of this type unavoidably brings with it a degree of distraction to any business. In an attempt to counter this, a considerable emphasis has been placed on keeping our team focused on those initiatives in our playbook which are viewed as critical for our business success, whether with or without the merger. We have also been particularly concerned to do all things possible to keep our highly talented team intact through this uncertain period, and, to keep the enthusiasm, energy and excitement the team has for our business alive.

In the above context it is very pleasing to note that Neale O'Connell the Group's CFO, a long standing, experienced and key team member, has committed to remain in his role at Tatts.

Some of the "business as usual" initiatives we continue to advance are:

➤ Wagering Initiatives

- The rollout of a further 160 next generation UBET retail outlets in the second half and a move to a single branded estate by the end of FY17.
- The rollout of our new generation self-service terminals in UBET retail outlets, featuring cash-in, and ticket-in-ticket-out technology.
- The launch of our first virtual sport and racing products in the Northern Territory. We remain hopeful that the Queensland Government will take the initiative and approve this product in Queensland as part of the arrangements agreed under the 'new' Queensland licence which involved a revenue sharing joint-venture with Racing Queensland and a new taxation stream for the State.
- We have an application before the Queensland Government for the approval of the rollout of a new betting product for on-course entertainment precincts at Queensland race clubs under a revenue sharing joint-venture between UBET with those establishments.
- Additional enhancements to our fixed price risk management system to further enhance win-rate yields.
- The return of live digital racing vision.
- A new and innovative wagering product to differentiate UBET's customer offer.
- Focus on racing and sports partnerships:
 - Stradbroke Handicap now named UBET Stradbroke;
 - South Australia Thoroughbred partnership;
 - Magic Millions; and
 - Significant sporting partnerships to be announced.

➤ Lotteries Initiatives

- The roll out of a gift card program with cards to be sold through a planned 5,000 new outlets and redeemable only through existing agencies or online – lifting revenue and brand presence.
- New Instant Scratch-it merchandising displays – improving the visual impact of 'scratchies' in busy retail environments.
- Launch of the next generation "the Lott" website.
- Trial of lotteries "click and collect" terminals.
- Lucky lotteries to launch in South Australia.
- Extension of surprise games across all channels.

➤ Gaming Initiatives

- As mentioned above, we are in the final stages of negotiating and documenting the acquisition of Intralot's Victorian and New Zealand monitoring operations (subject to regulatory approval).
- The delivering of the new monitoring system for New South Wales.

➤ **Charitable Games Initiatives**

- 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 can make a real difference to charitable organisations in their fund-raising endeavours.
- The first product is the 50-50 Charity Raffle which is operational in Queensland and we are now looking to expand its footprint nationally.
- We are currently working on the launch of a new 'Business to Charity' fund raising platform.

Media enquiries please contact:

Kate Fisher
Corporate Communications Manager

Ph: (07) 3435 4525

Mob: 0410 085 103

E: kate.fisher@tattsgroup.com

Analysts and institutions please contact:

Giovanni Rizzo
Head of Investor Relations

Ph: (07) 3877 1002

Mob: 0409 578 247

E: giovanni.rizzo@tattsgroup.com

APPENDIX A

	H1 FY17 \$'million	H1 FY16 \$'million		% change*
Total revenue and other income	1,425.0	1,530.2	▼	6.9%
Government share	(655.9)	(709.1)	▼	7.5%
Venue share/commission	(208.1)	(230.1)	▼	9.6%
Product and program fees	(107.2)	(107.1)	▲	0.1%
Merger costs	(10.4)	(2.1)	▲	387.0%
Other expenses	(208.3)	(216.2)	▼	3.6%
Total expenses	(1,189.9)	(1,264.6)	▼	5.9%
EBITDA	235.1	265.6	▼	11.5%
Depreciation and amortisation	(39.8)	(37.3)	▲	6.8%
EBIT	195.3	228.3	▼	14.5%
Interest income	0.4	2.9	▼	86.7%
Finance costs	(24.4)	(21.9)	▲	11.6%
PBT	171.2	209.3	▼	18.2%
Income tax	(47.7)	(63.7)	▼	25.1%
Net profit after tax (from continuing operations)	123.5	145.5	▼	15.2%
(Loss)/profit from discontinued operations	(0.7)	1.5	▼	147.3%
Net profit after tax (statutory basis)	122.8	147.0	▼	16.5%

*Percentages based on full reported numbers (i.e. non-rounded source data).