Tattersall's
Limited

GOLDEN CASKET

Private Lottery Operator Structures
The Australian Experience
World Meet 2007

Presentation Outline

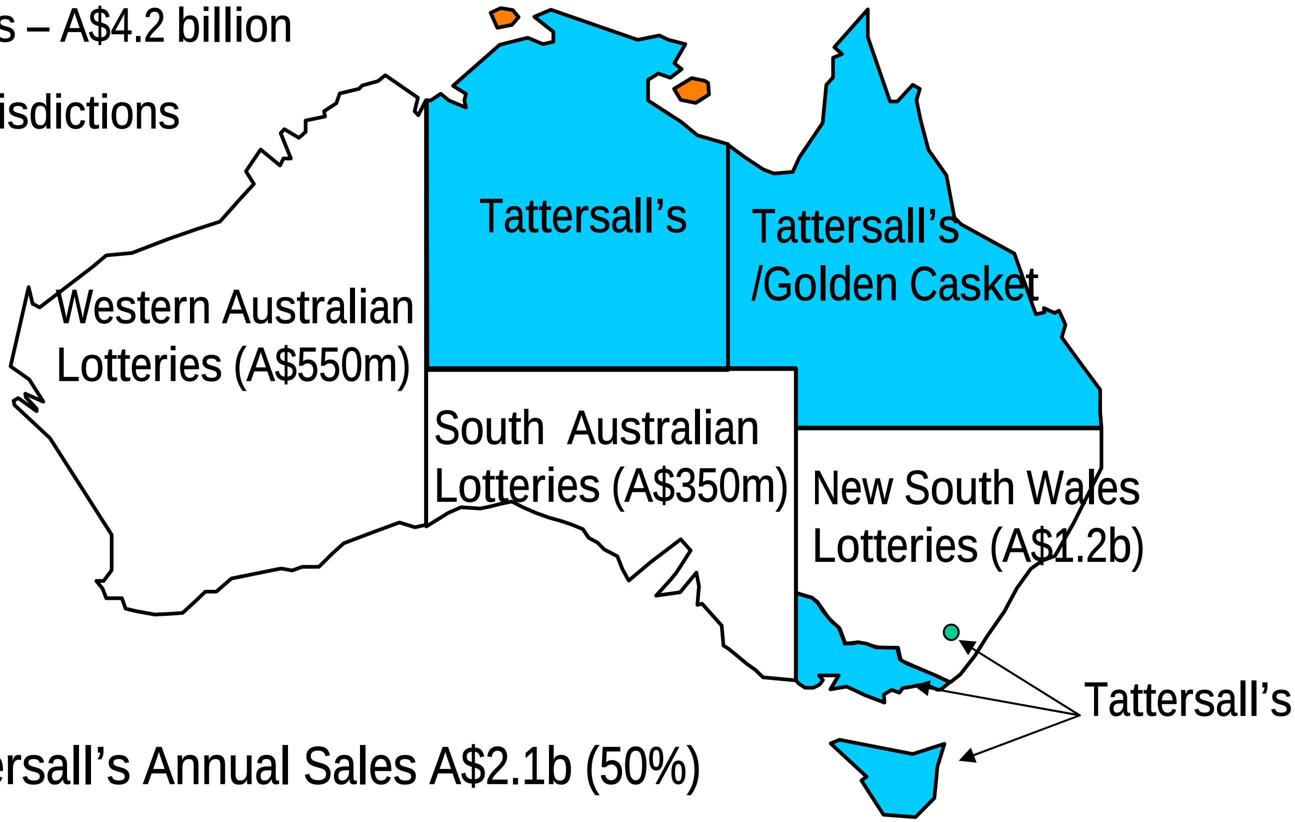
- The Australian gambling / lottery market
  – trends and drivers for change
- The world’s most recent lottery privatisation
  – Tattersall’s / Golden Casket merger
- Privatisation case study
  – Queensland Government’s privatisation of Golden Casket

Lotteries in Australia

Population 21 million

Annual Sales – A$4.2 billion

8 Lottery jurisdictions



Total Tattersall's Annual Sales A$2.1b (50%)

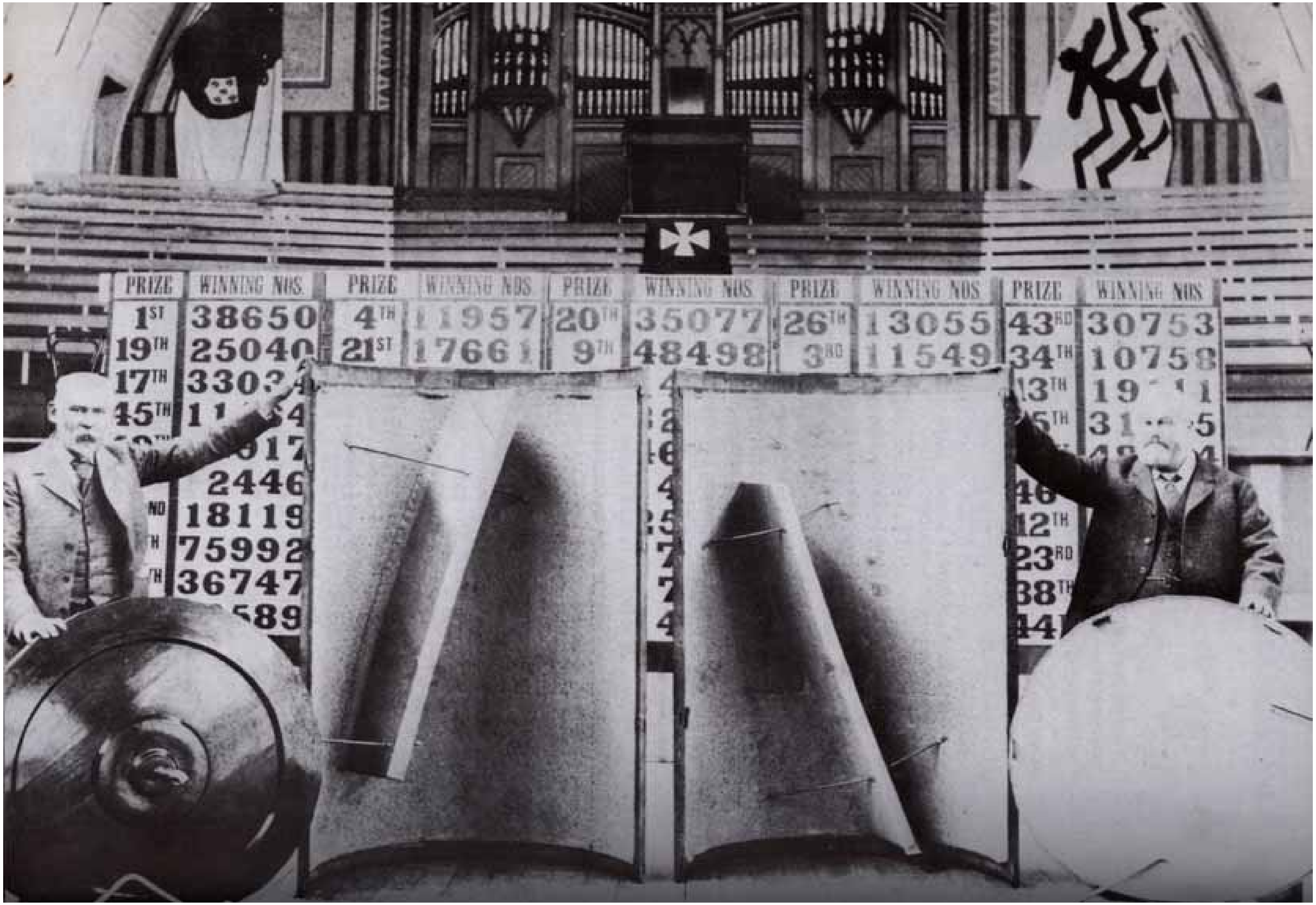
Australian Gambling Industry - Trends & Drivers for Change

- Highly developed market with extensive range of gambling options in most jurisdictions
- Gambling licensing and policy controlled by States
- Trend towards private operator models
- Mature market, highly competitive and relatively low growth
- Operators seeking scale and efficiencies through acquisition and consolidation
- Emergence of three big private players with diversified gambling interests (Tabcorp, PBL, Tattersall's)
- Tattersall's the only one with lottery experience and exposure

Tattersall's GOLDEN CASKET

Australian Lottery Industry
- Trends & Drivers for Change

- Combination of private / state owned operators
- Successful bloc partnership to create national pools
- Greater competition from non-lottery products and electronic lottery offers
- Potential for multiple lottery licences in some jurisdictions
- State financial considerations and policy initiatives will focus attention on further private operator options
- Consolidation trend in the wider gambling industry likely to flow across to lotteries



Tattersall's – The world's most experienced private lottery operator

Tattersall's

GOLDEN CASKET

Tatts - $A6b diversified gaming company

Tatts Lotteries

- Multiple licences in multiple jurisdictions with International expertise
- Greater than 50% of Australian lottery turnover
- Keno
- Multiple lottery system experience

EGM Operations

- Licence to operate over 20,000 EGM's Australia, United Kingdom & South Africa

Wagering

- Totalisator and fixed odds betting > 22% of Australian turnover

Monitoring & Jackpot

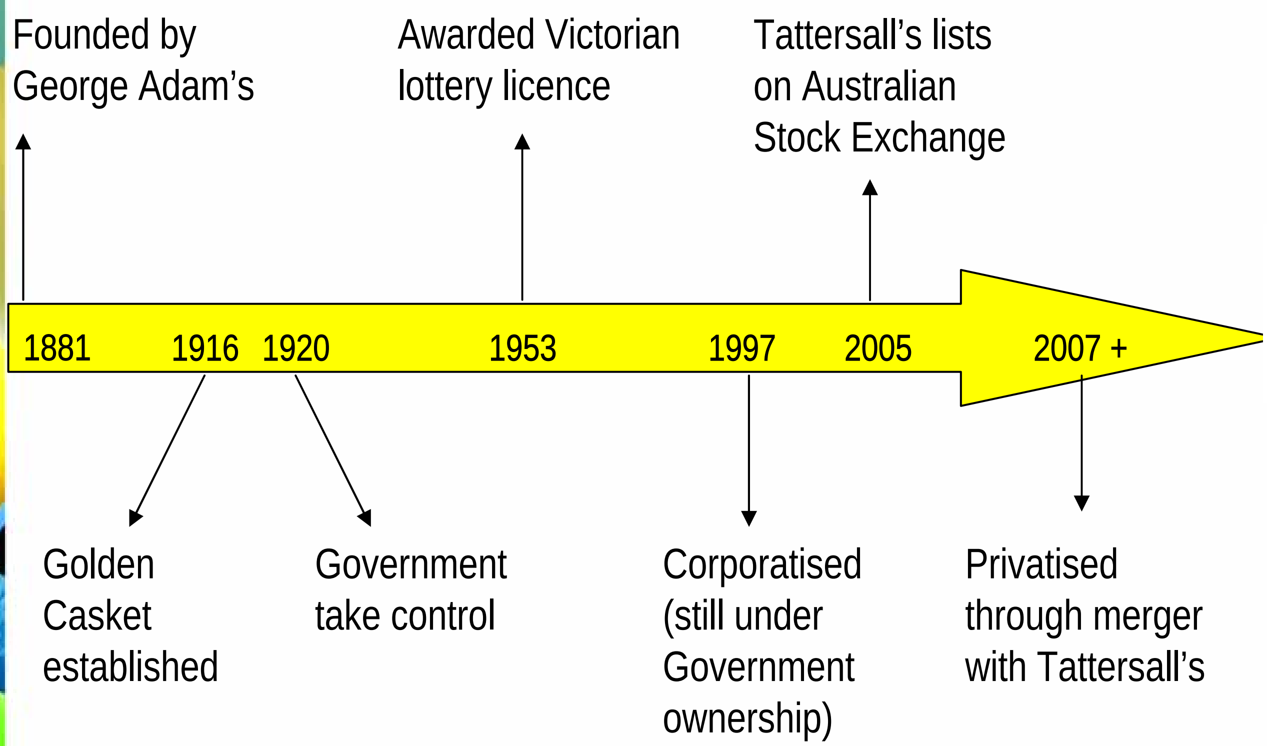
- Monitors over 130,000 machines

Gambling Services

- Technical service provisions for Lotteries, Wagering, Gaming and Monitoring

Golden Casket Lottery Corporation – 90 Years of operating history in Queensland

Tattersall's Lotteries & Golden Casket – Then & Now



The Merged Entity

TATTS LOTTERIES

Tattersall's

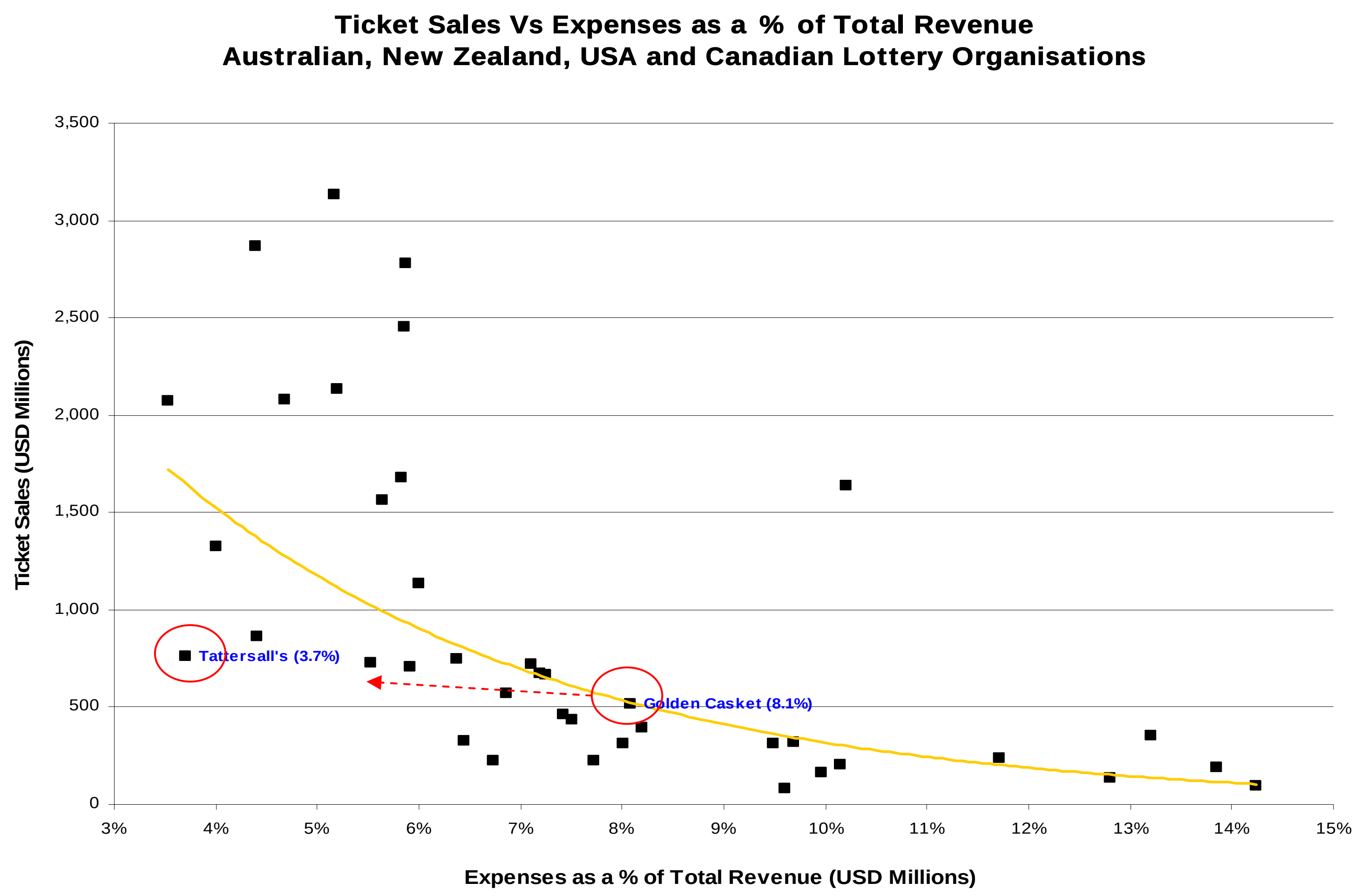
GOLDEN CASKET

- Tatts Lotteries is the Strategic Business Unit for lotteries within the Tattersall's Limited group
- 5 Australian jurisdictions plus some international operations
- Approximately A$2.2 billion in sales
- Approximately 50% of national lottery sales
- Returns to State Governments approximately A$670m
- Projected EBITDA of over A$90 million (07/08)
- Top 50 per capita lottery sales in the world (Top 20 Lotto only)

Tattersall's

GOLDEN CASKET

Private operator can bring operational efficiency without loss of focus on revenue to State/Stakeholders



Case Study in Privatising a Lottery Golden Casket – June 2007

- Background
- Structuring imperatives
- The licensed operator model in Queensland
- Conditions and elements of sale
- Financial outcomes and other benefits to the State

Golden Casket Privatisation

- Background:
  - Changing market dynamics
  - Single jurisdiction / single product operator
  - Threat of greater competition and future market risk
  - Strategic review by independent financial advisor for State
  - Opportunity for Government to benefit from merged operation scale and efficiency whilst releasing value to the State
  - Alignment of interests and capability with Tattersall's (revenue protection, operational safe guards, responsible gaming and business practices)
  - Not just a financial transaction but building value for the future
  - Must be seamless for players – trust must be maintained

Golden Casket Privatisation

- Structuring Imperatives:
  - Independent regulatory oversight
  - Ongoing social policy determined by State
  - Long term licence certainty and clear operating parameters
  - Transition to a more commercial operating model
- Not such a big step from where Golden Casket was as a corporatised Government owned business

Golden Casket Privatisation

- Licensed Operator Model:
  - State retains licence (term to 2072, exclusive until 2016) and Golden Casket name
  - Golden Casket company (brands, contracts, people, assets) acquired by Tattersall’s
  - Golden Casket enters into a long term Lottery Operator Agreement which licences it to operate the lottery
  - Regulatory oversight and social policy responsibility remains with the State
  - Existing taxation regime remains in place (around A$200m per year)

Golden Casket Privatisation

- Licensed Operator Agreement:
  - Exclusive Term of 65 years to 2072
  - Operating conditions imposed on the licensed lottery operator
  - Annual Operating fee charged by State for right to operate - Tattersall's paid upfront
  - Lottery taxes continue to be paid monthly

Golden Casket Privatisation

- Conditions & Elements of Sale:
  - State retained ownership of lottery licence and Golden Casket name
  - 65 year operating licence, long term security
  - Retention of GC Head Office in Queensland
  - Security for agents – extension to current agreements etc.
  - Protection of certain employment condition
  - Specific community funding commitments
- Only an existing operator of Tattersall's standing could derive value from the transaction, and still meet the Government requirements

Golden Casket Privatisation

- Financial Outcomes & Benefits:
  – Tattersall's purchase price (A$543m)
  – Pre acquisition restructure just over A$150m
  – Benefit of ongoing tax stream of A$200m+
  – Additional A$10m in charitable contributions over three years
  – State will build a new children's hospital with the proceeds
  – Seamless transition for players, agents and government with ongoing delivery of revenue streams, products and services not impacted

Summary / Conclusion

- After 90 years of Government ownership Golden Casket has made a successful transition to a private lottery operator model
- With the right structural approach and close attention to stakeholder management, significant value can be released for the State without losing regulatory or social policy control, and with no adverse player/community impact
- To deliver a successful outcome a balance must be struck between financial parameters, ongoing duty participation, operational standards and Government gaming policies