



## Frequently asked Questions

### **Why is Tatts Group's dividend yield reported in the media as only 4%? I thought Tatts was a high dividend yield stock?**

Tatts Group continues to be a strong dividend yield stock with growth opportunities. The correct dividend yield for Tatts Group is around 8%. The dividend yield reported by the media is only 4% as a result of special dividends not being recognised in calculating dividend yield. Tatts Group paid a "special dividend" in October 2010, however whilst this was a special dividend for specific legal and accounting purposes, it was in the context of both timing and quantum effectively paid as a substitute for a final dividend.

The Board of Tatts Group has again confirmed its intention to continue to pay a high dividend payout ratio. The past four dividends paid to shareholders have represented between 95.0% and 98.5% of the relevant period's Net Profit after Tax.

With Tatts Group's strong balance sheet, profitability and cash flow, we do not foresee this dividend payout ratio materially altering.

### **What has happened to the Tatts Group share price?**

The share price of any company is determined by the market and not by the company. Since the merger of Tatts and UNiTAB, Total Shareholder Return or TSR, which measures the combined return to shareholders from share price movement and dividends, has performed well relative to our competitors.

Tatts shareholders have also benefitted from the high dividend payout ratio that the company has maintained.

Tatts has a strong balance sheet, is profitable, has consistently grown operating earnings per share and is well positioned for future opportunities.

### **How are all the changes in the wagering industry impacting the TattsBet business performance?**

TattsBet (formerly UNiTAB) has continued its long history of consistent and solid results despite the ongoing reshaping of the wagering industry. TattsBet is in a position of strength, with exclusive retail operations in Queensland, South Australia and the Northern Territory, representing approximately 24% of wagering in Australia. We will defend these markets, and would relish the opportunity to extend beyond our current boundaries.

Our retail presence is complemented by extensive telephone and internet services, and a complete suite of products through the totalisator and fixed price betting offerings.



The retail network continues to deliver approximately 75% of off-course sales. The launch of our own fixed price betting service through TattsBet has been very successful, with revenue growth of 85% for the year to 30 June 2010. Meanwhile, our existing business model already factors in considerable and ongoing contributions to funding the racing industry.

**How will Tatts replace the loss of the income stream from Tatts Pokies when that gaming operator licence ends in 2012?**

Firstly, it is important to recognise that through mergers and acquisitions, Tatts Group has a strong portfolio of diversified businesses with secure licences that continue to perform well. As a result, Tatts Group is not beholden to one business unit or geographic location, and is far better placed today to move forward without the Tatts Pokies business post August 2012.

The expanded Tatts Lotteries business has moved from delivering \$23.3 million EBITDA in 2006 to having the prospect of delivering \$250 million by 2014. This EBITDA contribution reflects a level that is around or exceeds that currently being generated by the Tatts Pokies business. TattsBet continues to grow whilst also seeking to expand its service offering, whilst Maxgaming and Bytecraft continue to leverage their core strengths to offer consistently improving performance. Meanwhile, in the period remaining of the gaming operator licence, Tatts Pokies will be operated more efficiently than has previously been possible.

Strategic opportunities that fit within our ongoing diversification and growth strategy will continue to be assessed. Critical to this is remaining focussed on utilising our strong balance sheet and key skill sets to pursue complementary investments that add long term shareholder value.

**Will Tatts Group pursue the Compensation Payment due as a result of losing its gaming operator licence?**

Yes. As we have previously stated, we will continue to pursue appropriate legal action to protect shareholder value. It must be remembered that the right to compensation only comes at the end of the licence, which is post August 2012.