GOOD MORNING LADIES AND GENTLEMEN.

THANK YOU FOR JOINING US TODAY.

MY NAME IS PAUL ONEILE. I AM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OF ARISTOCRAT. I WOULD LIKE TO WELCOME YOU TO OUR RESULTS PRESENTATION FOR THE FIRST HALF OF 2005.

WITH ME IS SIMON KELLY, THE COMPANY'S CHIEF FINANCIAL OFFICER.

AT THE ANNUAL GENERAL MEETING IN MAY THIS YEAR I INDICATED TO YOU THAT THE COMPANY EXPECTED TO REPORT A HALF YEAR PROFIT IN THE RANGE OF NINETY TO ONE HUNDRED MILLION DOLLARS.

I AM PLEASED TO REPORT THAT ARISTOCRAT'S PROFIT AFTER TAX FOR THE SIX MONTHS TO 30 JUNE 2005 WAS $101.7 MIILLION. THIS REPRESENTS A 215% INCREASE ON THE PROFIT FIGURE REPORTED FOR THE CORRESPONDING PERIOD LAST YEAR.

REVENUE OF $525.3 MLLION, INCREASED MARGINALLY ON THAT OF THE PRIOR FIRST HALF.

THE STRONGEST PERFORMING MARKET FOR US DURING THE PERIOD WAS NORTH AMERICA, WHERE REVENUE GROWTH OFFSET THE DECLINES IN AUSTRALIA AND JAPAN.

OUR INTERNATIONAL BUSINESS NOW ACCOUNTS FOR 76% OF SEGMENT PROFIT COMPARED WITH 71% IN THE FIRST HALF LAST YEAR.

VIRTUALLY ALL OF OUR BUSINESSES ARE STRONG CASH GENERATORS. OPERATING CASH FLOW INCREASED TO $120 MILLION, UP FROM $90 MILLION IN THE PRIOR CORRESPONDING PERIOD.

AS A RESULT OF THIS STRONG PERFORMANCE, THE BOARD TODAY ANNOUNCED A FULLY FRANKED INTERIM DIVIDEND OF 10 CENTS PER SHARE – A 6 CENT INCREASE ON THE UNFRANKED INTERIM DIVIDEND LAST YEAR.

AS PART OF OUR CAPITAL MANAGEMENT PROGRAMME WE ALSO ANNOUNCED THAT SHARES WILL BE ACQUIRED ON MARKET TO SATISFY EXISTING CONTINGENT OBLIGATIONS UNDER EMPLOYEE SHARE AND OPTION PLANS.

THE CURRENT OUTSTANDING UNVESTED COMMITMENTS UNDER THESE PLANS ARE APPROXIMATELY 5.5 MILLION SHARES.

SHAREHOLDER RETURNS WERE ALSO ENHANCED DURING THE HALF THROUGH TWO CAPITAL MANAGEMENT INITIATIVES.

FIRSTLY, WE ARE 46% THROUGH THE $100 MILLION ON-MARKET SHARE BUY BACK PROGRAM THAT WE COMMENCED DURING 2004. WE INTEND TO EXTEND THE ORIGINAL ONE YEAR BUY BACK TIMEFRAME BY A FURTHER 12 MONTHS.

SECONDLY, IN JULY 2005, WE RETURNED JUST OVER $100 MILLION TO SHAREHOLDERS THROUGH A CAPITAL RETURN.

I AM PLEASED WITH THE PROGRESS THAT THE COMPANY HAS MADE OVER THE PAST SIX MONTHS AND THE FURTHER STRENGTHENING OF OUR FINANCIAL POSITION. I AM ALSO CONFIDENT ABOUT ARISTOCRAT'S PROSPECTS OVER THE REMAINDER OF THE YEAR.

BEFORE I RUN THROUGH THE RESULTS FOR OUR PRINCIPAL GEOGRAPHIC SEGMENTS, I WOULD LIKE TO ASK SIMON TO TAKE US THROUGH THE DETAILED FINANCIALS.

THANK YOU PAUL AND GOOD MORNING.

AS PAUL MENTIONED, I PROPOSE TO TAKE YOU THROUGH AN ANALYSIS OF OUR FINANCIAL RESULTS AND POSITION AS AT 30 JUNE 2005.

PLEASE NOTE THAT WE HAVE APPLIED AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS (OR IFRS) WITH EFFECT FROM 1 JANUARY 2005. AS REQUIRED, ALL COMPARATIVE 2004 FIGURES HAVE BEEN RE-STATED TO COMPLY WITH THESE NEW STANDARDS. THROUGHOUT MY PRESENTATION AND OUR OTHER RESULTS MATERIALS, REFERENCES TO THE CURRENT AND PRIOR PERIOD ARE TO THE RESTATED RESULTS IN ACCORDANCE WITH IFRS.

FIRSTLY, TURNING TO THE PROFIT AND LOSS ACCOUNT

TOTAL REVENUE INCREASED MARGINALLY TO $525 MILLION.

THE GENERALLY STRONGER AUSTRALIAN DOLLAR AGAINST BOTH THE US DOLLAR AND THE YEN COMPARED WITH 2004, REDUCED THE REPORTED VALUE OF REVENUE.

HAD EXCHANGE RATES REMAINED AT FIRST HALF 2004 LEVELS, REVENUE WOULD HAVE BEEN APPROXIMATELY $23 MILLION HIGHER. TAKING THIS INTO ACCOUNT, REAL REVENUE GROWTH WAS 3.4%. THE OVERALL REVENUE RESULT HOWEVER DISGUISES SOME SIGNIFICANT UNDERLYING CHANGES IN REGIONAL RESULTS. IN PARTICULAR, A $95 MILLION INCREASE IN NORTH AMERICAN REVENUE WHICH MORE THAN OFFSET AN $82 MILLION DECLINE IN

JAPAN. PAUL WILL COVER OFF INDIVIDUAL BUSINESS RESULTS IN MORE DETAIL AS PART OF THE BUSINESS SEGMENT REVIEW.

GROSS PROFIT IMPROVED BY 7.5 POINTS TO 52.9%. WE HAVE NOW DELIVERED FOUR CONSECUTIVE HALVES OF INCREMENTAL MARGIN GROWTH, WITH GROSS PROFIT HAVING IMPROVED FROM 44 TO 46 TO 51 PER CENT AND NOW TO ALMOST 53 PER CENT.

EXPENSES WERE DOWN 24.4% OR $45 MILLION. THE MAJORITY OF THIS DECLINE RESULTS FROM A $40 MILLION REALISED FOREIGN EXCHANGE ADJUSTMENT TO THE 2004 COMPARATIVE ON THE ADOPTION OF IFRS. EXCLUDING THIS AMOUNT, EXPENSES FELL 3.6% OR $5.2 MILLION WITH LOWER JAPANESE AGENTS' COMMISSIONS BEING PARTIALLY OFFSET BY HIGHER INFRASTRUCTURE AND LEGAL COSTS.

I HAVE PREVIOUSLY NOTED THE FIXED COST LEVERAGE WHICH WE HAVE IN THE BUSINESS. EXCLUDING JAPANESE RESULTS AND THE PRIOR YEAR FX RE-CLASSIFICATION, WE SAW REAL SALES GROWTH OF 23%, GROSS MARGIN UP 26%, WHILST SMG&A COSTS ROSE ONLY 6%. AS A RESULT, MUCH OF THE GROSS PROFIT INCREASE OF $53 MILLION FELL TO THE BOTTOM LINE.

EBIT AT $146 MILLION IS AN $83 MILLION OR 132% IMPROVEMENT ON THE PRIOR CORRESPONDING PERIOD AND REPRESENTS 27.8% OF REVENUE.

THIS IMPROVEMENT IN EBIT, COMBINED WITH AN OVERALL INCREASE IN NET INTEREST INCOME PUSHED PROFIT AFTER TAX TO A $69 MILLION IMPROVEMENT.

THE EFFECTIVE TAX RATE OF 32.2% IS HIGHER THAN THE AUSTRALIAN RATE OF 30%, BUT LOWER THAN THE 2004 FIRST HALF RATE OF 45.3%.

IN THE PRIOR CORRESPONDING PERIOD, TAX EXPENSE WAS NEGATIVELY IMPACTED BY A $4.8 MILLION PRIOR YEAR ADJUSTMENT.

EXCLUDING THE IMPACT OF THIS ADJUSTMENT, THE PRIOR PERIOD EFFECTIVE RATE WAS 37.2%, REFLECTING THE HIGHER CONTRIBUTION MADE BY OUR JAPANESE BUSINESS WHICH IS SUBJECT TO HIGHER TAX RATES.

PROFIT AFTER TAX OF $101.7 MILLION REPRESENTS A RECORD FIRST HALF RESULT.

BEFORE I MOVE ON TO TALK ABOUT THE RESULTS IN MORE DETAIL, I WOULD LIKE TO BRIEFLY COVER OFF THE IMPACTS OF INTRODUCING INTERNATIONAL ACCOUNTING STANDARDS FOR THE FIRST TIME EFFECTIVE 1 JANUARY.

THE MAJOR IMPACTS ARE SHOWN HERE IN THIS RECONCILIATION OF FIRST HALF RESULTS FOR THE CURRENT AND PRIOR PERIOD UNDER BOTH PRIOR AND NEWLY ADOPTED ACCOUNTING STANDARDS.

THE TOP LINE SHOWS HOW OUR RESULTS WOULD HAVE BEEN REPORTED UNDER PREVIOUS ACCOUNTING STANDARDS. NAMELY A $103.9 MILLION PROFIT IN THE CURRENT PERIOD AGAINST THE $63.3 MILLION PROFIT WE REPORTED IN THE FIRST HALF OF 2004. AT THE FOOT OF THE PAGE YOU CAN SEE THE RESULTS RESTATED UNDER INTERNATIONAL ACCOUNTING STANDARDS.

THE KEY PROFIT AND LOSS DIFFERENCES ARE AS FOLLOWS:

- WE ARE NO LONGER REQUIRED TO AMORTISE GOODWILL INTANGIBLES, WHICH RESULTED IN AN INCREASE IN PROFIT AFTER TAX OF $2 MILLION

- WE HAVE EXPENSED THE COST OF SHARE BASED PAYMENTS RELATING TO LONG TERM SHARE AND OPTION PLANS. AS A RESULT, PROFIT AFTER TAX HAS BEEN REDUCED BY $4.3 MILLION

- AS I HAVE ALREADY MENTIONED, WE HAVE ALSO ADJUSTED THE PRIOR PERIOD RESULT FOR A FOREIGN EXCHANGE LOSS OF $40 MILLION OR $28 MILLION AFTER TAX. THIS RELATES TO THE REALISATION OF AMOUNTS HELD IN THE FOREIGN CURRENCY TRANSLATION RESERVE AS A RESULT OF THE REPAYMENT OF INTERCOMPANY LOANS DURING 2004. UNDER PREVIOUS ACCOUNTING STANDARDS, THIS REALISATION WAS ACCOUNTED FOR AS A RESERVE TRANSFER. UNDER IFRS WE ARE REQUIRED TO BRING THESE THROUGH THE PROFIT AND LOSS.

THE NET RESULT IS THAT UNDER PRIOR ACCOUNTING STANDARDS PROFIT IMPROVED 64% OR $41 MILLION TO $103.9 MILLION. UNDER INTERNATIONAL STANDARDS, EXCLUDING THE FOREIGN EXCHANGE RE-CLASSIFICATION, PROFIT INCREASED 68% OR $41 MILLION TO $101.7 MILLION.

IT IS WORTH NOTING THAT WE HAVE REVIEWED THE IMPACT OF IFRS ON THE WAY WE ACCOUNT FOR RESEARCH AND DEVELOPMENT EXPENDITURE. UNDER PRIOR ACCOUNTING STANDARDS OUR POLICY WAS TO EXPENSE R&D AS INCURRED. UNDER IFRS, IT IS ARGUABLE THAT WE COULD HAVE CAPITALISED A PORTION OF OUR $29 MILLION OF R&D COSTS.

WE HAVE HOWEVER APPLIED A CONSERVATIVE APPROACH IN DETERMINING THAT THERE WAS INSUFFICIENT CERTAINTY THAT WE HAD SATISFIED THE NECESSARY TESTS IN ORDER TO DO SO. AS A RESULT WE HAVE CONTINUED TO FULLY EXPENSE R&D COSTS.

WE HAVE REACHED THIS CONCLUSION GIVEN, AMONGST OTHER THINGS, THE COMPLEX REGULATORY ENVIRONMENT AND RAPIDLY CHANGING TRENDS OF THE GAMING INDUSTRY IN WHICH WE OPERATE AND OUR OVERRIDING DESIRE TO ENSURE TRANSPARENCY AND CONSISTENCY IN OUR REPORTED FINANCIALS.

I WOULD NOW LIKE TO MOVE ON AND DEMONSTRATE THE KEY DRIVERS OF THE CHANGE IN EBIT PERIOD-ON-PERIOD.

YOU MAY FIND SOME OF THE DETAIL IN THIS SLIDE DIFFICULT TO READ, AND YOU MAY WISH TO REFER TO YOUR PACK AS I RUN THROUGH IT. I WILL COVER OFF THE MAJOR ITEMS ONLY.

THIS CHART RECONCILES 2004 HALF 1 EBIT OF $62.9 MILLION TO THE $145.8 MILLION REPORTED IN THE CURRENT HALF.

GIVEN THE INTERNATIONAL DIVERSITY OF THE COMPANY'S OPERATIONS, I HAVE STRIPPED OUT TRANSLATIONAL FOREIGN EXCHANGE IMPACTS TO SHOW THE UNDERLYING MOVEMENTS IN INDIVIDUAL REVENUE AND COST ELEMENTS.

AS I MENTIONED EARLIER, 2004 EBIT WAS IMPACTED BY A PRE TAX FX ADJUSTMENT OF $40 MILLION RELATING TO IFRS. GIVEN ITS SIGNIFICANCE AND TO DIFFERENTIATE IT FROM "NORMAL" TRANSLATIONAL FX IMPACTS, I HAVE SHOWN THIS ITEM SEPARATELY TO THE LEFT.

YOU WILL NOTE THAT THE MAJOR OPERATING CONTRIBUTORS TO THE IMPROVEMENT IN RESULTS WERE THE NEXT FOUR COMPONENTS TO THE LEFT, WHICH COLLECTIVELY COMPRISE THE IMPROVEMENT IN GROSS PROFIT.

THE FIRST COMPONENT REPRESENTS THE MARGIN IMPACT OF IMPROVED VOLUMES – THIS CONTRIBUTED AN INCREMENTAL $6.9 MILLION. REVENUES AS A RESULT OF VOLUME ACTUALLY FELL $6.0 MILLION WHILE COST OF SALES FELL BY $12.9 MILLION REFLECTING SALES MIX IMPROVEMENT.

THE UNDERLYING IMPROVEMENT REPRESENTS A REMARKABLE ACHIEVEMENT GIVEN THE 19,000 UNIT OR 44% REDUCTION IN OUR JAPANESE VOLUMES. THE MARGIN IMPACT OF THIS DECLINE WAS HOWEVER MORE THAN OFFSET BY HIGHER VOLUME AND HIGHER MARGINS IN NORTH AMERICA.

NORTH AMERICAN RECURRING REVENUE INSTALLATIONS, WHICH INCREASED BY ALMOST 1,600 UNITS OVER THE FIRST HALF OF 2004, CONTRIBUTED JUST OVER A THIRD OF THE NORTH AMERICAN VOLUME RELATED MARGIN IMPROVEMENT.

MOVING ON, PRICE/MIX CONTRIBUTED $22 MILLION. ALL BUSINESSES, WITH THE EXCEPTION OF SOUTH AFRICA RECORDED FAVOURABLE PRICE/MIX VARIANCES. SOUTH AFRICA WAS IMPACTED BY ADVERSE MIX AS A RESULT OF EXPANSION IN THE LOWER MARGIN LIMITED PAYOUT MARKET WHERE WE ACHIEVED 45% MARKET SHARE. THE IMPROVEMENT IN RECURRING REVENUE DAILY RETURNS ALSO CONTRIBUED TO THIS IMPROVEMENT.

EXCLUDING THE IMPACT OF RECURRING REVENUE, THE EFFECTIVE PRICE/MIX INCREASE ON PRODUCT SALES APPROXIMATES 3.6%.

THE COST OF SALES IMPROVEMENT OF $19 MILLION REFLECTS A NUMBER OF ITEMS INCLUDING IMPROVED OVERHEAD RECOVERY ON HIGHER VOLUMES WITH EX JAPAN GLOBAL UNIT SALES INCREASING 12.7%. IN ADDITION, WE HAVE CONTINUED TO MAKE SIGNIFICANT EFFICIENCY AND COST IMPROVEMENTS IN THE GLOBAL SUPPLY CHAIN. PRIOR PERIOD COSTS WERE ALSO ADVERSELY IMPACTED BY THE WRITE-OFF OF SURPLUS JAPANESE UNIQUE PARTS.

OTHER NET MARGIN IMPACTS OF $3.1 MILLION COMPRISE THE NET IMPACT OF A NUMBER OF COMPONENTS:

THESE INCLUDE:

- INCREASED NORTH AMERICAN SYSTEMS REVENUE;
- INCREASED PERIPHERAL SALES IN AUSTRALIA; AND
- HIGHER NORTH AMERICAN LICENCE FEE INCOME

THESE WERE PARTIALLY OFFSET BY THE NON-RECURRENCE OF SOUTH AMERICAN LEGACY CONTRACT RECOVERIES.

R&D COSTS INCREASED BY $1.2 MILLION PRIMARILY REFLECTING INCREASED STAFFING IN OUR NORTH AMERICAN AND AUSTRALIAN R&D FACILITIES.

IN PERCENTAGE TERMS, R&D COSTS WERE 5.6% OF REVENUE, A SMALL INCREASE OVER THE PRIOR PERIOD AND WITHIN OUR TARGET 5 – 6% RANGE.

THE DECREASE IN AGENT COMMISSIONS RELATES EXCLUSIVELY TO JAPANESE SALES AND REFLECTS THE LOWER SALES VOLUMES IN THE FIRST HALF.

SMG&A SPEND INCREASED IN OVERALL TERMS BY $10 MILLION REFLECTING HIGHER CORPORATE AND BUSINESS DEVELOPMENT EXPENSES.

FINALLY, AS I MENTIONED EARLIER, I HAVE STRIPPED OUT TRANSLATIONAL FOREIGN EXCHANGE IMPACTS FROM THE PREVIOUS COMPONENTS. YOU CAN SEE HERE THAT THESE RESULTED IN A NET $7.8 MILLION REDUCTION IN EBIT.

IN CONCLUSION, YOU CAN SEE THAT THE STRONG EBIT IMPROVEMENT REFLECTS A CONTINUATION OF THE KEY DRIVERS THAT I MENTIONED AT THE 2004 FULL YEAR ANNOUNCEMENT, NAMELY:

- EX JAPAN VOLUME GROWTH;
- IMPROVED PRICING;
- COST EFFICIENCIES PARTICULARLY IN THE SUPPLY CHAIN; AND
- LEVERAGE OF FIXED COST STRUCTURES

THIS CHART DEMONSTRATES HOW THE OVERALL MIX OF OUR REVENUE HAS CHANGED VS THE FIRST HALF OF 2004.

YOU CAN SEE THAT BROADLY AUSTRALIAN AND OTHER REVENUE HAS REMAINED A RELATIVELY CONSTANT SHARE OF THE OVERALL AT A COMBINED 35%. AT THE SAME TIME, THE DECLINE IN JAPANESE REVENUE HAS BEEN OFFSET BY A CORRESPONDING INCREASE IN NORTH AMERICA. INTERNATIONAL REVENUE HAS INCREASED TO 77% OF THE OVERALL.

OVER A LONGER TIME FRAME THE TREND TOWARDS INTERNATIONAL REVENUE IS FAR MORE PRONOUNCED…

THIS CHART SHOWS HOW THE MIX OF REVENUE HAS CHANGED OVER THE PAST 5 YEARS. OVER THIS TIME, TOTAL REVENUE HAS MORE THAN DOUBLED FROM $533 MILLION TO $1.13 BILLION.

THERE ARE A NUMBER OF KEY TRENDS WORTH COMMENTING ON HERE…

- WE DID NOT HAVE A BUSINESS IN JAPAN UNTIL FOUR AND A HALF YEARS AGO. THIS BUSINESS NOW CONTRIBUTES 18% OF OUR TOTAL REVENUE.

- WHILST AUSTRALIAN BUSINESS REVENUE HAS BEEN RELATIVELY CONSTANT OVER THE PAST 5 YEARS IN DOLLAR TERMS, AS A PERCENTAGE OF OVERALL REVENUES IT HAS DECLINED FROM 63% TO 23%.

- THE NORTH AMERICAN BUSINESS HAS EXPERIENCED SIGNIFICANT REVENUE GROWTH WITH ITS SHARE OF OVERALL REVENUES INCREASING FROM 18% TO 47%.

IN OVERALL TERMS, THIS SUBSTANTIAL SHIFT IN THE PROFILE OF THE COMPANY'S BUSINESS DEMONSTRATES HOW WE HAVE DEVELOPED A REAL COMPETENCY IN SUCCESSFULLY POSITIONING OURSELVES IN NEW INTERNATIONAL MARKETS. IT IS OUR INTENTION TO CONTINUE TO LEVERAGE THIS EXPERTISE AS GLOBAL GAMING MARKETS DEVELOP.

AS A RESULT, THIS OVERALL TREND IS ONE WE ANTICIPATE WILL CONTINUE AS OUR INTERNATIONAL BUSINESSES EXPAND AT A FASTER RATE THAN THE AUSTRALIAN BUSINESS WHICH OPERATES IN A MATURE MARKET.

TURNING NOW TO CASH FLOW.

THIS SLIDE IS ALSO RATHER BUSY, AND AGAIN YOU MAY WISH TO REFER TO YOUR PACK AS I RUN THROUGH IT.

ONE OF OUR KEY STRATEGIES IS FOCUSING ON CASH MANAGEMENT. YOU WILL RECALL THAT THIS INCREASED FOCUS RESULTED IN A SIGNIFICANT IMPROVEMENT IN OPERATING CASH FLOW OVER THE PAST 2 YEARS.

THE MANAGEMENT CASH FLOW HERE RECONCILES EBIT TO STATUTORY OPERATING CASH FLOW AND THE MOVEMENT IN NET DEBT. THIS SEPARATELY IDENTIFIES CASH IMPACTS PRE FOREIGN EXCHANGE.

RATHER THAN DISCUSSING EACH INDIVIDUAL LINE ITEM, I WILL FOCUS ON THE LARGER ONES ONLY.

I HAVE ALREADY EXPLAINED THE MOVEMENT IN EBIT. DEPRECIATION AND AMORTISATION HAS INCREASED AS A RESULT OF THE HIGHER INSTALLED BASE OF PARTICIPATION UNITS.

FOREIGN EXCHANGE IN THE PRIOR PERIOD PREDOMINANTLY RELATES TO THE SETTLEMENT OF INTERCOMPANY LOANS WHICH I REFERRED TO EARLIER. THIS SETTLEMENT HAD NO IMPACT ON THE COMPANY'S OVERALL CASH BALANCES OR CASH FLOW. OTHER FOREIGN EXCHANGE CASH FLOWS IN THE CURRENT PERIOD WERE MINIMAL.

THE $59 MILLION OF TAX PAYMENTS REPRESENT TAX ON OUR PRIOR YEAR PROFITS, INCLUDING THE RECOMMENCEMENT OF TAX PAYMENTS IN AUSTRALIA AS BROUGHT FORWARD LOSSES WERE FULLY UTILISED DURING 2004.

THE OTHER MAJOR INFLUENCE ON OPERATING CASH FLOW WAS THE $7.3 MILLION CASH INFLOW AS A RESULT OF CHANGES IN OPERATING ASSETS AND LIABILITIES. THIS PREDOMINANTLY RESULTS FROM AN INCREASE IN DEFERRED REVENUE OFFSET IN PART BY A SMALL INCREASE IN NET WORKING CAPITAL.

THE COMBINATION OF A STRONG EBIT PERFORMANCE, COUPLED WITH THE CONTINUED FOCUS ON CASH MANAGEMENT, HAS ENABLED US TO FURTHER IMPROVE OUR OPERATING CASH FLOW, WHICH ROSE 33% TO $120 MILLION.

THE NET CASH OUTFLOW FROM INVESTING ACTIVITIES DECLINED PERIOD-ON-PERIOD AS A RESULT OF LOWER NET RECURRING REVENUE PLACEMENTS WHICH ACCOUNTED FOR 55% OF THE TOTAL. THE BALANCE OF CAPITAL SPEND RELATES TO INVESTMENT IN THE GLOBAL SUPPLY CHAIN AND ONGOING "STAY-IN-BUSINESS" SPEND.

WE SPENT $36 MILLION ACQUIRING 3.5 MILLION SHARES UNDER THE ON-MARKET SHARE BUYBACK PROGRAM.

THE DEPRECIATION OF THE AUSTRALIAN DOLLAR AGAINST THE US DOLLAR SINCE 31 DECEMBER 2004 RESULTED IN A $5.6 MILLION INCREASE IN REPORTED NET DEBT.

IN OVERALL TERMS, NET CASH BALANCES INCREASED BY $187 MILLION TO $176 MILLION. THIS COMPARES WITH AN $11 MILLION NET DEBT POSITION AT THE CLOSE OF THE 2004 HALF YEAR.

WHILE I HAVE ALREADY DISCUSSED THE CASH FLOW IMPACTS OF WORKING CAPITAL, I WANT TO NOW BRIEFLY SHOW HOW NET WORKING CAPITAL IS TRACKING IN OVERALL TERMS.

IN PREVIOUS PRESENTATIONS I HAVE ANALYSED THE KEY COMPONENTS OF WORKING CAPITAL SEPARATELY. TODAY, I WANT TO FOCUS ONLY ON NET WORKING CAPITAL.

WE HAVE, HOWEVER, CONTINUED TO SUSTAIN OUR RECEIVABLES AND INVENTORY PERFORMANCE RELATIVE TO SALES AND I HAVE INCLUDED UPDATED CHARTS AS APPENDICES TO THIS PRESENTATION FOR YOUR REFERENCE.

THIS CHART SHOWS OVERALL WORKING CAPITAL TO REVENUE MEASURED ON A PRECEEDING 12 MONTHS BASIS OVER THE LAST 5 YEARS.

THIS MEASURE OF WORKING CAPITAL EFFICIENCY HAS RISEN MARGINALLY FROM 9.4% AT THE END OF 2004 TO 9.9% AT 30 JUNE 2005.

THIS INCREASE RESULTS FROM HIGHER INVENTORY IN THE SUPPLY CHAIN FOR PLANNED NORTH AMERICAN THIRD QUARTER SALES TOGETHER WITH INCREASED VACA AND VASA RECEIVABLES IN AUSTRALIA, OFFSET IN PART BY THE COMBINATION OF LOWER RECEIVABLE AND PAYABLE LEVELS IN JAPAN.

WHILE PRIMA FACIE THIS APPEARS DISAPPOINTING, IT IS NOT REFLECTIVE OF THE GENERAL TREND OVER THE CURRENT HALF. THE RATIO AVERAGED 8.9% ON A MONTHLY BASIS THIS HALF VS AN AVERAGE OF 9.1% OVER THE FIRST SIX MONTHS OF 2004.

THIS MONTHLY AVERAGE CONTINUES TO DEMONSTRATE THE SUSTAINABILITY OF THE SIGNIFICANT IMPROVEMENTS MADE OVER THE PAST TWO YEARS. INDIVIDUAL MONTHS WILL ALWAYS REMAIN SUBJECT TO FLUCTUATION AS A RESULT OF PARTICULAR TRADING INITIATIVES OR MAJOR PRODUCT LAUNCHES.

TURNING NOW TO CAPITAL MANAGEMENT.

FIRSTLY I WOULD LIKE TO RE-ITERATE OUR OVERALL CAPITAL MANAGEMENT OBJECTIVES. NAMELY, TO MAINTAIN A CONSERVATIVE FUNDING STRUCTURE, WHICH PROVIDES SUFFICIENT FLEXIBILITY TO FUND THE OPERATIONAL DEMANDS OF THE BUSINESS AND TO UNDERWRITE ANY FUTURE STRATEGIC OPPORTUNITIES.

THE COMPANY HAS SUBSTANTIAL CASH ON HAND - $344 MILLION, EXCEEDING DEBT BY SOME $176 MILLION.

WE HAVE GENERATED $280 MILLION OF OPERATING CASH FLOW OVER THE PAST TWELVE MONTHS AND THE OUTLOOK FOR CASH FLOW REMAINS VERY POSITIVE.

IN JULY, WE REPLACED OUR BANK FACILITIES WITH A NEW $300 MILLION SYNDICATED FACILITY. TOGETHER WITH NET CASH ON HAND AND OUR CASH FLOW EXPECTATIONS THIS PROVIDES US WITH SIGNIFICANT FINANCIAL FLEXIBILITY.

ON THE 20TH OF DECEMBER, WE CALLED FOR REDEMPTION OF THE 130 MILLION US DOLLAR CONVERTIBLE BONDS. HOWEVER, IT IS LIKELY TO BE SOME TIME BEFORE THIS MATTER IS RESOLVED AS IT REMAINS SUBJECT TO LEGAL PROCEEDINGS.

LOOKING FORWARD, WE ANTICIPATE STRONG ONGOING CASH FLOW WITH THE BUSINESS REQUIRING LIMITED WORKING CAPITAL OR OTHER CAPITAL INVESTMENT TO GROW ORGANICALLY.

TAKING THESE OBJECTIVES INTO ACCOUNT, THE BOARD TODAY ANNOUNCED A NUMBER OF CAPITAL MANAGEMENT INITIATIVES.

FIRSTLY, AN INTERIM DIVIDEND OF 10 CENTS PER SHARE. THIS DIVIDEND IS FULLY FRANKED AS WE HAVE NOW UTILISED BROUGHT FORWARD TAX LOSSES.

CONSISTENT WITH THE LAST FEW DIVIDEND PAYMENTS, THE DIVIDEND RE-INVESTMENT PLAN WILL NOT OPERATE IN RESPECT OF THIS DIVIDEND.

IN FUTURE PERIODS THE PROSPECT OF FRANKING IS POSITIVE, ALTHOUGH THE MIX OF OVERSEAS EARNINGS MEANS IT IS NOT POSSIBLE TO RELIABLY ESTIMATE THE EXTENT OF FUTURE FRANKING.

WE HAVE NOW COMPLETED THE 21 CENTS PER SHARE CAPITAL RETURN. NOTE THAT THIS WAS RECORDED AS A LIABILITY IN THE HALF YEAR RESULTS, AS IT WAS NOT ACTUALLY PAID UNTIL 15 JULY.

THE BOARD ALSO CONFIRMED THAT THE ON-MARKET SHARE BUYBACK OF UP TO $100 MILLION WILL BE EXTENDED FOR A FURTHER 12 MONTHS. AT THE TIME OF ANNOUNCING THE BUYBACK LAST YEAR, WE STATED THAT THIS WAS A 12 MONTH PROGRAM, HOWEVER THE STRENGTH IN THE SHARE PRICE SINCE THEN HAS MEANT THAT WE HAVE NOT BEEN ABLE TO FULLY COMPLETE IT.

WE WILL CONTINUE OUR STRATEGY OF ENSURING ANY BUYBACK IS EPS ACCRETIVE AND OUR “MOP UP” RATHER THAN “PROP UP” APPROACH REMAINS IN PLACE.

IN ADDITION, SHARES WILL BE ACQUIRED ON MARKET IN ANTICIPATION OF SATISFYING CONTINGENT OBLIGATIONS TO AUSTRALIAN AND UNITED STATES BASED EMPLOYEES UNDER SHARE AND OPTION BASED REMUNERATION PLANS. APPROXIMATELY 5.5 MILLION SHARES ARE CURRENTLY OUTSTANDING UNDER THESE PLANS.

IN TOTAL, THE INITIATIVES ANNOUNCED TODAY TOGETHER WITH DIVIDENDS PAID OR DECLARED OVER THE PAST 12 MONTHS AMOUNT TO RETURNS TO SHAREHOLDERS OF APPROXIMATELY $340 MILLION, OR THE EQUIVALENT OF 72 CENTS PER SHARE.

WE ARE CONFIDENT THAT THESE INITIATIVES, TOGETHER WITH ANTICIPATED ONGOING STRONG CASH GENERATION, LEAVE THE COMPANY WITH AMPLE FLEXIBILITY TO UNDERWRITE THE OPERATIONAL AND STRATEGIC DEMANDS OF THE BUSINESS.

FINALLY, THIS CHART SETS OUT SOME KEY FINANCIAL DATA AND RATIOS, WHICH SUMMARISE THE PERFORMANCE OF THE COMPANY FOR THE HALF YEAR COMPARED WITH THE PRIOR CORRESPONDING PERIOD AND THE 2004 FULL YEAR.

EBIT OF $145.8 MILLION EXCEEDS THE 2004 RESULT BY $83 MILLION, OR 132%, AFTER ADJUSTING FOR THE INTERCOMPANY FOREIGN EXCHANGE ADJUSTMENT RECOGNISED IN THE COMPARATIVE, UNDERLYING GROWTH WAS 41.6%

THE WORKING CAPITAL TO REVENUE RATIO HAS DETERIORATED MARGINALLY TO 9.9%, BUT ON AVERAGE FOR THE HALF IT HAS CONTINUED TO IMPROVE.

OPERATING CASH FLOW AT $120 MILLION OR 22.8% OF REVENUE IS VERY HEALTHY AND DEMONSTRATES THE STRONG CASH GENERATION CAPABILITY OF THE BUSINESS.

CASH ON HAND EXCEEDS DEBT BY $176 MILLION, A $187 MILLION IMPROVEMENT OVER THE SAME TIME LAST YEAR.

GEARING AND DEBT COVERAGE RATIOS ARE VERY CONSERVATIVE AND DEMONSTRATE THE STRENGTH AND FINANCIAL FLEXIBILITY THAT OUR BALANCE SHEET PROVIDES.

RETURN ON EQUITY MEASURED ON A LAST 12 MONTHS BASIS IS A VERY SUBSTANTIAL 63.4%.

EARNINGS PER SHARE IMPROVED 14.5 CENTS OR OVER 200% TO 21.3 CENTS.

IN SUMMARY, AS YOU CAN SEE HERE, THE STRONG OPERATING PERFORMANCE IN THE FIRST HALF HAS ENABLED THE COMPANY TO CONTINUE TO STRENGTHEN ITS FINANCIAL POSITION.

THESE KEY PERFORMANCE INDICATORS REPRESENT A SIGNIFICANT IMPROVEMENT ON THE RECORD RESULTS POSTED IN OUR LAST TWO RESULTS ANNOUNCEMENTS.

THEY ALSO CONTINUE TO COMPARE VERY FAVOURABLY WITH OUR INTERNATIONAL GAMING PEERS.

THE COMPANY REMAINS IN A VERY STRONG OPERATIONAL AND FINANCIAL POSITION AND WE WILL LEVERAGE THIS STRENGTH AS WE SEEK TO FURTHER DRIVE SHAREHOLDER VALUE THROUGH FOCUSING ON BOTTOM LINE RESULTS AND BALANCE SHEET MANAGEMENT.

I WILL NOW HAND BACK TO PAUL FOR THE SEGMENT REVIEW.

THANK YOU, SIMON.

I WILL NOW GO THROUGH THE RESULTS AND OUTLOOK FOR EACH OF THE COMPANY'S KEY MARKETS AROUND THE WORLD.

TURNING FIRST TO AUSTRALIA.

AS MOST OF YOU ARE AWARE, THE AUSTRALIAN MARKET REMAINS A DIFFICULT ONE.

OUR CUSTOMERS HAVE BEEN IMPACTED BY A RANGE OF LEGISLATIVE AND REGULATORY MEASURES WHICH HAVE IMPACTED ADVERSELY ON THEIR BUSINESSES.

THESE MEASURES INCLUDE SMOKING BANS, TAX INCREASES, MACHINE CAPS AND REMOVALS AND A BROAD RANGE OF RESPONSIBLE GAMBLING MEASURES.

AS A RESULT OF THESE ADVERSE MARKET CONDITIONS, THE REPLACEMENT CYCLE CONTINUED TO LENGTHEN.

NOTWITHSTANDING THE CURRENT DIFFICULTIES, I AM PLEASED TO ADVISE THAT SEGMENT CONTRIBUTION PROFIT IMPROVED BY 10.7% TO $43 MILLION, DESPITE A 6.5 PER CENT FALL IN REVENUE.

THIS WAS LARGELY THE RESULT OF IMPROVING SALES OF PREMIUM PRODUCT AND A BROAD RANGE OF OPERATIONAL IMPROVEMENTS DESIGNED TO INCREASE PRODUCTIVITY AND CONTAIN COSTS.

PRICES WERE MAINTAINED AND MARGINS IMPROVED IN A HIGHLY COMPETITIVE ENVIRONMENT. OPERATING MARGINS INCREASED TO 36.6%.

THE SUCCESS OF OUR PREMIUM PRODUCT AND RECURRING REVENUE STRATEGY IS DEMONSTRATED BY THE FACT THAT DESPITE A 23% FALL IN UNIT SALES, REVENUE FELL ONLY 6.5%. AT THE SAME TIME, WE HAVE MAINTAINED OUR OVERALL MARKET SHARE AT 66%.

THE CONTINUING MARGIN IMPROVEMENT IS REFLECTED LARGELY IN THE SUCCESS OF THE GROUP'S PREMIUM HYPERLINK™ PRODUCTS. THESE PRODUCTS FREQUENTLY ACHIEVE PERFORMANCE LEVELS OF NEARLY DOUBLE THE FLOOR AVERAGE IN THE AUSTRALIAN MARKET AND, INDEED, THE GLOBAL MARKET.

DURING THE HALF WE LAUNCHED FAST LANE™ AS AN ADDITION TO OUR PORTFOLIO OF RECURRING REVENUE PRODUCTS AVAILABLE THROUGH UNITAB'S STATE WIDE LINKED JACKPOT SYSTEM.

WE ALSO LAUNCHED CORRIDA DE TOROS™ AND OUR NEW XTREME™ MYSTERY LINK™ WHICH HAVE PROVEN VERY SUCCESSFUL.

WE COMPLETED THE INTEGRATION OF OUR SALES AND SERVICE TEAMS RESULTING IN SIGNIFICANTLY INCREASED EFFICIENCIES.

OUR FOCUS REMAINS ON PREMIUM PRODUCTS AND WE EXPECT TO LAUNCH SEVERAL NEW GAMES IN THIS CATEGORY LATER IN THE YEAR. WE ALSO INTEND TO FOCUS ON OUR RECURRING REVENUE STRATEGY, WHILE MAINTAINING OUR MARKET LEADERSHIP POSITION.

TURNING TO THE OUTLOOK, I EXPECT THE DIFFICULT MARKET CONDITIONS TO CONTINUE FOR THE REST OF THE YEAR, WHILST WE REMAIN WELL PLACED TO SECURE ANY UPSIDE POTENTIAL IN THE MARKET.

NOW WE TURN TO NORTH AMERICA, THE STANDOUT PERFORMER IN THE GROUP OVER THE LAST SIX MONTHS.

FIRST HALF REVENUE IMPROVED BY 64% TO $245 MILLION AND SEGMENT PROFIT ROSE 172% TO $95 MILLION.

OUR GAME AND PLATFORM SALES INCREASED BY 84% TO OVER 9,000 UNITS, DRIVEN BY THE OUTSTANDING PERFORMANCE OF A NUMBER OF OUR PRODUCTS, PARTICULARLY IN THE "PENNY" SEGMENT.

IN THIS CATEGORY, OUR PREMIUM PRODUCTS SUCH AS REEL POWER™, 50 LIONS™, MR. CASHMAN™, AND MONEY HONEY™ HAVE PROVEN PARTICULARLY SUCCESSFUL.

RECURRING REVENUE INCREASED 63% TO $68 MILLION, DUE LARGELY TO THE CONTINUED STRONG PERFORMANCE OF THE CASH EXPRESS™ AND MILLIONI$ER™ HYPERLINK™ PROGRESSIVE GAMES AND THE APPROVAL OF CASH EXPRESS™ IN MISSISSIPPI.

WHILE AVERAGE REVENUE PER DAY INCREASED TO US$54, THE NET INCREASE IN THE PARTICIPATION INSTALLED BASE OF 6.5% OR 345 UNITS WAS BELOW EXPECTATIONS. THIS REFLECTS DELAYS IN KEY PRODUCT APPROVALS AND SOME GENERAL OPERATOR RESISTANCE IN THE MARKET.

SYSTEMS REVENUE INCREASED 45% TO $19 MILLION AS A RESULT OF ONGOING APPROVAL OF NEW MODULES AND OUR GROWING CUSTOMER BASE. DURING THE HALF, WE SIGNED UP OUR 200TH OASIS™ CUSTOMER AND WE NOW HAVE 207 CUSTOMERS USING OUR CASINO MANAGEMENT SYSTEM.

THE CONTINUING MARGIN IMPROVEMENT, UP 15.4 POINTS TO 38.6% REFLECTS IMPROVED PRODUCT MIX AND THE LEVERAGE OF OUR FIXED COST BASE.

I WOULD LIKE TO TURN NOW TO THE INITIATIVES WE HAVE PUT IN PLACE AND THE OUTLOOK FOR NORTH AMERICA.

OUR KEY FOCUS IS TO CONTINUE THE MOMENTUM ACHIEVED OVER THE PAST 18 MONTHS AND CAPITALISE ON OUR STRONG PERFORMANCE.

PLANNED GAME RELEASES OVER THE BALANCE OF THE YEAR INCLUDE TWO NEW DOUBLE STANDALONE PROGRESSIVE GAMES, ZORRO™ AND CORRIDA DE TOROS™, ALONG WITH NUMEROUS NEW REEL POWER™ AND MKVI™ VIDEO TITLES.

IN SYSTEMS WE EXPECT PRODUCT UPGRADES OF OUR MARKETING MANAGER™ AND PERSONALBANKER™ MODULES TO BE APPROVED BY REGULATORS.

WE WILL ALSO CONTINUE TO GROW OUR PARTICIPATION REVENUE BOTH IN TERMS OF OUR INSTALLED BASE AND DOLLARS PER DAY.

WE ANTICIPATE AN INCREASE IN THE NET INSTALL RUN RATE OVER THE SECOND HALF FOLLOWING THE APPROVAL OF KEY NEW PRODUCTS, INCLUDING ZORRO™ HYPERLINK™ AND A RANGE OF DOUBLE STANDALONE PROGRESSIVE PRODUCTS.

WE ARE ALSO WORKING ON EXPANDING OUR PRODUCT BASE INCLUDING THE LAUNCH OF A MULTI-SITE PROGRESSIVE, A NEW SLANT-TOP CABINET, AND 5 REEL STEPPER OFFERINGS.

WE CONTINUE TO EXPLORE OPPORTUNITIES FOR CONTENT LICENSING.

WHILE WE HAVE MADE GOOD PROGRESS IN GROWING OUR BUSINESS IN KEY ACCOUNTS, I BELIEVE THERE IS STILL A SIGNIFICANT OPPORTUNITY FOR GROWTH IN THIS AREA AND IT REMAINS ONE OF OUR KEY INITIATIVES.

WE EXPECT TO SEE FURTHER MARKETS OPENING UP FOR OUR PRODUCTS AS THE 39 NON-GAMING STATES REVIEW THE ECONOMICS OF GAMING IN THOSE STATES WHERE COMMERCIAL CASINOS ARE FLOURISHING.

IN OVERALL TERMS, I SEE CONTINUING GROWTH IN OUTRIGHT UNIT SALES AND PARTICIPATION REVENUE, WHILST THE SYSTEMS BUSINESS WILL REMAIN FLAT GIVEN THAT THE MARKET IS RELATIVELY SATURATED.

TURNING NOW TO JAPAN.

TOTAL SALES FOR THE HALF AMOUNTED TO JUST OVER 24,000 GAMES, GENERATING $92 MILLION IN REVENUE. SEGMENT PROFIT FROM JAPAN WAS $21.6 MILLION AND MARGIN IMPROVED BY 2 PERCENTAGE POINTS.

THESE RESULTS WERE LARGELY DUE TO THE SUCCESSFUL RELEASE OF STREETFIGHTER 2™.

THE DECLINE IN REVENUE OF 47% IS A FUNCTION OF OUR RELEASE SCHEDULING AND CERTAINLY DOES NOT REFLECT A WEAKENING IN THE JAPANESE MARKET OR OUR PERFORMANCE THERE.

IN FACT, UNIT SALES AND REVENUE WERE IN LINE WITH EXPECTATIONS.

LOOKING AT SOME OF THE INTIATIVES WE ARE CURRENTLY PURSUING IN JAPAN AND OUR OUTLOOK FOR THE UPCOMING PERIOD.

DURING THE SECOND HALF, WE INTEND RELEASING THE THIRD OF OUR REGULATION 4, BASEBALL-THEMED GAMES, KYOJIN-NO-HOSHI™. THIS GAME FOLLOWS ON THE SUCCESS OF THE FIRST TWO GAMES IN THE SERIES WHICH COLLECTIVELY SOLD 110,000 UNITS.

WE ARE ALSO WORKING ON HOW WE CAN BEST UTILISE OUR REMAINING REGULATION 4 GAMES.

REGULATION 5 CONTINUES TO PROVE A CHALLENGE FOR THE INDUSTRY. THE FIRST APPROVAL OF A REGULATION 5 GAME HAS ONLY JUST BEEN GIVEN TO A COMPETITOR EARLIER THIS WEEK. THIS WILL NOW GIVE US INSIGHT INTO THE REGULATOR'S REQUIREMENTS.

WE HAVE A NUMBER OF REGULATION 5 GAMES IN VARIOUS STAGES OF DEVELOPMENT AND NOW EXPECT TO COMMENCE SUBMITTING THESE FOR APPROVAL LATER THIS YEAR.

IT HAS TAKEN THE INDUSTRY ALMOST 18 MONTHS TO GET THE FIRST REGULATION 5 GAME APPROVED SO THIS DEVELOPMENT IS OF GREAT SIGNIFICANCE.

WE ARE CONTINUING TO EXPLORE OPPORTUNITIES TO REDUCE THE TRADING VOLATILITY OF OUR JAPANESE RESULTS.

WE HAVE NOW OPENED A SALES OFFICE IN OSAKA TO EXPLOIT OPPORTUNITIES IN WESTERN JAPAN AND WE HAVE FURTHER INCREASED OUR SALES AND DISTRIBUTION NETWORK.

WE WILL CONTINUE TO WORK CLOSELY WITH SAMMY CORPORATION. CHAIRMAN SATOMI AND PRESIDENT KATOMOTO HAVE GIVEN US SIGNIFICANT SUPPORT IN BUILDING OUR JAPANESE BUSINESS.

WE ARE CONTINUING TO KEEP A WATCHING BRIEF ON THE POSSIBLE APPROVAL OF A TRIAL CASINO WHICH MAY GO AHEAD WITHIN THE NEXT COUPLE OF YEARS.

IN THE SHORT TERM WE REMAIN DEPENDENT ON THE SUCCESS OF KYOJIN-NO-HOSHI 3™ AND ARE OPTIMISTIC THAT ITS SUCCESS WILL RESULT IN TOTAL GAME SALES FOR THE YEAR BEING IN LINE WITH THOSE OF THE PREVIOUS TWO YEARS.

THE MEDIUM TERM OUTLOOK IS DEPENDENT ON THE SUCCESSFUL DEVELOPMENT AND MARKET ACCEPTANCE OF REGULATION 5 PRODUCT.

I AM CONFIDENT OF THE LONGER TERM SUSTAINABILITY AND GROWTH POTENTIAL OF OUR JAPANESE BUSINESS.

TURNING NOW TO OTHER INTERNATIONAL MARKETS WHERE THE PERFORMANCE WAS SOMEWHAT MIXED.

OUR ASIA-PACIFIC BUSINESS EXPERIENCED STRONG GROWTH WITH REVENUES UP OVER 70%, PREDOMINANTLY LED BY ONGOING SUCCESS IN MACAU WHERE WE CONTINUED TO GROW MARKET SHARE. OTHER ASIAN MARKETS ALSO EXPERIENCED STRONG GROWTH.

SOUTH AFRICA RECORDED SOLID GROWTH IN UNIT SALES AND REVENUE WITH THE EASTERN CAPE LIMITED PAYOUT MARKET OPENING DURING THE PERIOD. WE CONTINUED TO FOCUS ON THE REPLACEMENT OF STEPPER PRODUCT WITH VIDEO, WHERE WE MAINTAINED OUR POSITION AS THE PRINCIPAL SUPPLIER IN THIS MARKET.

IN NEW ZEALAND, REVENUE AND CONTRIBUTION PROFIT IMPROVED MARGINALLY IN AN ONGOING DIFFICULT REGULATORY ENVIRONMENT.

RESTRICTIONS ON GAMING MACHINE NUMBERS, NEW ‘RESPONSIBLE GAMING’ REQUIREMENTS, TOGETHER WITH NEW SMOKING RESTRICTIONS, HAVE RESULTED IN VENUE CLOSURES AND A REDUCTION IN DEMAND.

IN EUROPE OUR RESULTS SUFFERED AS WE TRANSITIONED TO A NEW DISTRIBUTION ARRANGEMENT IN RUSSIA. IN APRIL WE APPOINTED OUR NEW DISTRIBUTOR, SIA MEGAIMPEX, A LEADER IN THE RUSSIAN GAMING SECTOR AND SALES HAVE SINCE RECOMMENCED.
SALES TO OTHER EUROPEAN JURISDICTIONS IMPROVED DURING THE PERIOD BUT WERE NOT ENOUGH TO OFFSET THE DECLINE IN RUSSIA.

SOUTH AMERICAN RESULTS DECLINED PRIMARILY AS THE PRIOR PERIOD HAD INCLUDED REVENUE AND PROFIT OF $6 MILLION RELATING TO COLLECTIONS ON LEGACY CONTRACTS. FURTHER COLLECTIONS ON THESE CONTRACTS REMAIN SUBJECT TO LEGAL RECOVERY ACTION.

THE COMPANY INSTALLED ITS FIRST MKVI™ VIDEO SLOT GAMES IN ARGENTINA AND CHILE AND COMPLETED ITS FIRST INSTALLATION OF RECURRING REVENUE GAMES IN PANAMA.

TURNING NOW TO THE INITIATIVES WE ARE PURSUING IN OTHER MARKETS AND OUR OUTLOOK FOR THE REST OF 2005.

AT THIS POINT I WOULD LIKE TO RE-ITERATE THAT WE ADOPT A LOW RISK MODEL IN EMERGING MARKETS. WE WILL NOT BE TAKING ON UNACCEPTABLE RISKS IN PURSUIT OF REVENUE OR MARKET POSITIONS.

WE ARE CONTINUING TO FOCUS ON NEW OPPORTUNITIES IN A NUMBER OF EMERGING MARKETS. OUR NEW REGIONAL OFFICE IN MACAU WILL HELP DRIVE SALES INTO DEVELOPING ASIAN MARKETS.

WE HAVE ALSO ESTABLISHED A NEW OFFICE IN MOSCOW TO CAPITALISE ON THE GROWTH POTENTIAL OF THE RUSSIAN MARKET.

DURING THE FIRST HALF WE DEVELOPED A STRATEGY TO POSITION OURSELVES IN A NUMBER OF KEY COUNTRIES IN SOUTH AMERICA. WE EXPECT THE BENEFITS OF THIS STRATEGY TO START FLOWING LATER THIS YEAR. THIS REGION IS AN IMPORTANT GROWTH MARKET WHICH, AS A GLOBAL LEADER, WE CANNOT IGNORE. I BELIEVE THAT OUR STRATEGY IS ONE WHICH ENABLES US TO OPTIMISE OUR POTENTIAL IN THE REGION, WHILST RECOGNISING ITS HIGHER INHERENT RISK.

IN JULY WE COMPLETED THE SALE OF A 28% INTEREST IN OUR SOUTH AFRICAN BUSINESS. THIS SALE TO A LOCAL PARTNER WAS A KEY STEP IN COMPLYING WITH BLACK ECONOMIC EMPOWERMENT REQUIREMENTS. WE BELIEVE THAT THIS PROVIDES US WITH A SIGNIFICANT COMPETITIVE ADVANTAGE IN THE SOUTH AFRICAN GAMING INDUSTRY.

IN OVERALL TERMS WE ARE WELL POSITIONED TO CAPTURE GROWTH OPPORTUNITIES AS THEY EMERGE. I EXPECT ONGOING GROWTH IN THE SECOND HALF DRIVEN BY ASIAN SALES AND A FULL HALF OF RUSSIAN SALES, SUBJECT TO THE REGULATORY ENVIRONMENT THERE.

THE GROWTH PROFILE OVER THE MEDIUM TERM WILL HOWEVER BE INFLUENCED BY THE OPENING OF MAJOR VENUES, SUCH AS THOSE IN MACAU AND SINGAPORE, THE INCREASED POPULARITY OF

ELECTRONIC GAMING MACHINES IN THOSE MARKETS AND THE CONTINUED EXPANSION OF THE RUSSIAN AND EASTERN EUROPEAN MARKETS.

I HAVE PREVIOUSLY DISCUSSED OUR KEY BUSINESS OBJECTIVES AND OPERATING MODEL SO I AM NOT PROPOSING TO RUN THROUGH THESE AGAIN TODAY AS THEY REMAIN BROADLY UNCHANGED. I WOULD HOWEVER LIKE TO SPEND A FEW MOMENTS OUTLINING A NUMBER OF KEY INITIATIVES THAT WE ARE WORKING ON.

FIRSTLY, RESEARCH & DEVELOPMENT. THE REAL DRIVERS OF THE COMPANY'S PERFORMANCE ARE THE PRODUCTS DEVELOPED BY OUR GLOBAL R&D TEAMS. I BELIEVE WE HAVE SOME OF THE MOST TALENTED PEOPLE IN THE WORLD AND IT IS THEIR CREATIVITY THAT DELIVERS SUCH HIGH-PERFORMING PRODUCTS.

TO GIVE GREATER FOCUS AND EMPHASIS ON OUR R&D REQUIREMENTS, WE HAVE SEPARATED THE GAME AND SYSTEM DESIGN FUNCTIONS AND HAVE GLOBALLY ALIGNED THEIR RESPONSIBILITIES. WE HAVE ALSO ADDED ADDITIONAL RESOURCES IN BOTH AREAS AND WILL CONTINUE TO DO SO TO ENSURE THAT WE REMAIN AT THE FOREFRONT OF GLOBAL INNOVATIVE DESIGN.

THERE HAS BEEN A LOT OF DISCUSSION IN THE INDUSTRY ABOUT DOWNLOADABLE FUNCTIONALITY. BY THIS I MEAN THE ABILITY TO CHANGE GAMES ON A VENUE FLOOR WITHOUT PHYSICALLY CHANGING THE HARDWARE. WE HAVE BEEN WORKING ON A SOLUTION FOR SOME TIME AND HAVE A CLEAR STRATEGY IN PLACE AND A PROTOTYPE WHICH WE ARE PROGRESSING TOWARDS COMMERCIAL DEPLOYMENT. I AM CONFIDENT THAT WE HAVE A PRODUCT WHICH WILL PROVIDE US WITH A REAL COMPETITIVE EDGE AS THIS TECHNOLOGICAL CHANGE TAKES PLACE.

IT IS A KEY STRATEGIC GOAL TO HAVE A SIGNIFICANT PROPORTION OF OUR TOTAL INCOME GENERATED FROM RECURRING REVENUE. WE HAVE MADE CONSIDERABLE PROGRESS IN NORTH AMERICA, BUT THIS IS IN FACT A GLOBAL INITIATIVE. THERE ARE OPPORTUNITIES IN VIRTUALLY EVERY MARKET IN WHICH WE OPERATE. TO ENSURE WE MAXIMISE THE POTENTIAL OF THIS OPPORTUNITY WE ARE ESTABLISHING A DEDICATED TEAM TO DRIVE THIS ON A GLOBAL BASIS.

OUR HEAD OFFICE AND REGIONAL BUSINESS DEVELOPMENT TEAM CONTINUES TO IDENTIFY AND DEVELOP STRATEGIC OPPORTUNITIES IN GLOBAL GAMING MARKETS. OVER THE PAST SIX MONTHS THIS TEAM HAS EVALUATED OVER 30 PROJECTS RANGING FROM OUTRIGHT ACQUISITIONS, TO JOINT VENTURES TO PARTNERSHIPS AS WELL AS OTHER ARRANGEMENTS SUCH AS LICENCING. ANY INVESTMENT NEEDS TO MEET OUR STRICT STRATEGIC, FINANCIAL AND RISK MANAGEMENT REQUIREMENTS.

THE PARTNERSHIP IN SOUTH AFRICA WHICH I MENTIONED EARLIER IS AN EXAMPLE OF ONE OF THE OPPORTUNITIES THAT THIS TEAM BROUGHT TO FRUITION. THE RAPIDLY CHANGING GLOBAL GAMING ENVIRONMENT MEANS THAT I ANTICIPATE THIS TEAM WILL REMAIN BUSY FOR SOME CONSIDERABLE TIME AS WE CONTINUE OUR PUSH INTO THE GLOBAL MARKETPLACE.

WE CONTINUE TO WORK ON OPTIMISING OUR GLOBAL SUPPLY CHAIN. AS SIMON MENTIONED EARLIER, ONLY 5 YEARS AGO 63% OF THE COMPANY'S SALES WERE DERIVED FROM AUSTRALIA, WHEREAS TODAY THOSE SALES REPRESENT 23% OF THE TOTAL. AT THE SAME TIME, GLOBAL SALES HAVE DOUBLED. WE EXPECT THIS TREND TO CONTINUE.

TO ENSURE THAT WE REMAIN COMPETITIVE WE HAVE CONSTANTLY RE-EVALUATED OUR GLOBAL SUPPLY ARRANGEMENTS. AS A RESULT, WE HAVE SEEN INCREASED PRODUCTIVITY AND A SIGNIFICANT REDUCTION IN OUR MANUFACTURING COSTS, TOGETHER WITH IMPROVED CUSTOMER SERVICE. THIS WILL REMAIN AN ONGOING AREA OF FOCUS.

TURNING NOW TO THE OVERALL OUTLOOK FOR THE BALANCE OF THE YEAR.

WE ARE CONFIDENT THAT THE PERFORMANCE OF OUR UNDERLYING BUSINESSES REMAIN ROBUST AND THAT WE WILL MAINTAIN THE POSITIVE MOMENTUM FOR THE REST OF THE YEAR.

BASED ON THIS MOMENTUM AND THE YEAR-TO-DATE MANAGEMENT RESULTS, WE EXPECT TO REPORT A FULL YEAR PROFIT AFTER TAX OF BETWEEN $225 MILLION - $240 MILLION.

THIS OUTLOOK IS DEPENDENT ON A NUMBER OF KEY ASSUMPTIONS, INCLUDING CONTINUED MOMENTUM IN NORTH AMERICA, THE SUCCESS OF THE KYOJIN-NO-HOSHI 3™ GAME LAUNCH IN JAPAN, AS WELL AS STABLE REGULATORY ENVIRONMENTS AND THE TIMING OF PRODUCT APPROVALS.

AS I HAVE SAID BEFORE, I AM PROUD OF THE ARISTOCRAT TEAM. THEY HAVE DETERMINATION, DEDICATION, AND A REAL PASSION TO SUCCEED. THEY EMBRACE CHALLENGES AND OPERATE WITHIN THE MOST DEMANDING STANDARDS OF GOVERNANCE AND COMPLIANCE. THESE RESULTS ARE TESTIMONY TO THEIR ABILITIES.

LADIES AND GENTLEMEN, BEFORE I TAKE THE FIRST QUESTION, PLEASE NOTE THAT THIS IS A WEBCAST AND A TELECONFERENCE.

PLEASE BE AWARE THAT YOUR QUESTIONS WILL BE HEARD BY A MUCH WIDER AUDIENCE THAN THE PEOPLE IN THIS ROOM AND ARE BEING RECORDED.

PLEASE INDICATE TO OUR USHER IF YOU WOULD LIKE TO ASK A QUESTION.

PLEASE NOTE THAT LEGAL CONSIDERATIONS WILL PREVENT US FROM ANSWERING ANY QUESTIONS REGARDING ONGOING LITIGATION.