

2008 FULL YEAR

RESULTS PRESENTATION

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GOOD MORNING.

THANK YOU FOR JOINING US TODAY FOR OUR 2008 FULL YEAR RESULTS PRESENTATION.

I WOULD ALSO LIKE TO WELCOME THOSE PARTICIPATING VIA WEBCAST AND TELECONFERENCE.

MY NAME IS DAVID SIMPSON. I AM THE EXECUTIVE CHAIRMAN OF ARISTOCRAT.

WITH ME ARE JAMIE ODELL, RECENTLY APPOINTED CHIEF EXECUTIVE OFFICER, SIMON KELLY, OUR CHIEF FINANCIAL OFFICER, AND PAUL KITCHIN THE COMPANY'S GROUP GENERAL MANAGER MARKETING.

DAVID HUGHES OUR GROUP GENERAL MANAGER RESEARCH AND DEVELOPMENT IS ALSO IN ATTENDANCE TODAY.

BEFORE STARTING, I WOULD REQUEST THAT ANY QUESTIONS BE LEFT UNTIL THE END OF THE PRESENTATION.

PLEASE BE AWARE OF THE CONTENTS OF THE DISCLAIMER YOU SEE HERE. THIS IS ALSO CONTAINED IN THE PACKAGE WHICH WAS AVAILABLE AT THE DOOR.

AS YOU ARE AWARE, JAMIE ODELL COMMENCED AS CEO ON FEBRUARY 1ST AND IS STILL AWAITING THE NECESSARY REGULATORY APPROVALS.

WHILE JAMIE IS BUSY AQUAINTING HIMSELF WITH BOTH THE COMPANY AND THE INDUSTRY AND CANNOT BE EXPECTED TO ANSWER DETAILED OR TECHNICAL QUESTIONS, HE WILL NEVER THE LESS

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GIVE AN INSIGHT INTO HIS INITIAL EXPERIENCE AND IMPRESSIONS OF THE COMPANY.

I WILL START PROCEEDINGS BY GIVING YOU AN OVERVIEW OF OUR RESULTS.

SIMON WILL THEN TAKE YOU THROUGH THE DETAILS OF OUR FINANCIAL PERFORMANCE, AFTER WHICH I WILL REVIEW THE PRINCIPAL GEOGRAPHIC SEGMENTS OF THE BUSINESS AND KEY PRIORITIES AS WE PROGRESS INTO 2009.

PAUL KITCHIN WILL PROVIDE AN OVERVIEW OF VIRIDIAN PERFORMANCE IN THE MARKET, THE PROGRESSION OF THE AVAILABILITY OF GAMES AND AN OUTLINE OF OUR PROPOSED KEY GAME RELEASES FOR 2009.

JAMIE ODELL WILL CLOSE WITH AN OVERVIEW OF HIS IMPRESSIONS TO DATE. THE KEY POINTS OF THE YEAR HAVE BEEN:

- POOR PERFORMANCE IN THE MAJOR MARKETS OF AUSTRALIA AND NORTH AMERICA DUE TO LIMITED AVAILABILITY OF NEW PRODUCTS COMPOUNDED BY DETERIORATING ECONOMIC AND REGULATORY CONDITIONS.
- STRONG PERFORMANCE IN JAPAN WHERE REVENUE INCREASED BY \$84 MILLION TO \$175 MILLION AND PROFIT INCREASED \$38 MILLION TO \$43 MILLION.
- INCREASED MOMENTUM OF NEW PRODUCT RELEASES AND PLATFORM ENHANCEMENTS IN MAJOR JURISDICTIONS TOWARDS THE END OF THE YEAR AND THE NEW STEPPER PRODUCT NEARING COMMERCIALISATION.

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- OVERALL OPERATING REVENUE AND AFTER TAX EARNINGS DOWN 8.4% AND 47.0% RESPECTIVELY ON A CONSTANT CURRENCY BASIS.
- ONGOING INVESTMENT IN RESEARCH AND DEVELOPMENT FOCUSED ON NEW GAMES AND SYSTEMS AND PLATFORM ENHANCEMENTS

I WILL NOW HAND OVER TO SIMON KELLY.

THANK YOU DAVID...AND GOOD MORNING.

AS DAVID MENTIONED, I PROPOSE TO TAKE YOU THROUGH AN ANALYSIS OF OUR FINANCIAL RESULTS FOR THE YEAR.

HERE I HAVE SHOWN HOW WE TRACKED VS THE GUIDANCE WE PROVIDED IN OCTOBER. AS YOU CAN SEE THE ONLY THING WHICH REALLY CHANGED BEFORE THE REVISED GUIDANCE OF A FEW WEEKS AGO WAS THE IMPAIRMENT OF OUR INVESTMENT IN POKERTEK WITH THE CLASS ACTION AND PROPERTY SALES OUTCOME NETTING TO A SMALL FAVOURABLE VARIANCE VS OUR EARLIER GUIDANCE.

THE REST OF MY ANALYSIS TODAY COVERS THE NORMALISED RESULTS BEFORE THE IMPACT OF THE ONE-OFFS SHOWN HERE.

NOW LET'S LOOK AT THE SUMMARY PROFIT AND LOSS. I HAVE SHOWN HERE REPORTED RESULTS AND THOSE ON A CONSTANT CURRENCY BASIS, HAD EXCHANGE RATES REMAINED AT 2007 LEVELS.

THE WEIGHTED AVERAGE WEAKER AUSTRALIAN DOLLAR ACTUALLY INCREASED PROFIT AFTER TAX BY \$9 MILLION. THIS IMPACT IS EXCLUSIVELY TRANSLATIONAL, NAMELY THE ACCOUNTING EFFECT OF CONVERTING FOREIGN DENOMINATED EARNINGS BACK INTO AUSTRALIAN DOLLARS.

TO REMOVE THE FX IMPACT, I'LL FOCUS THROUGHOUT THIS ANALYSIS ON THE CONSTANT CURRENCY RESULTS.

UNDERLYING REVENUE DECLINED 8.4%, WITH GROSS MARGIN FALLING 4.8 PERCENTAGE POINTS TO 53%.

THIS WAS DRIVEN BY A CHANGE IN THE OVERALL MIX OF RESULTS WITH THE HIGHER MARGIN AUSTRALIAN AND NORTH AMERICAN BUSINESSES CONTRIBUTING LESS AND THE LOWER MARGIN JAPANESE BUSINESS CONTRIBUTING A GREATER PROPORTION OF EARNINGS.

EXPENSES DECLINED A NET 2.9% OR \$7 MILLION, DESPITE A \$9 MILLION INCREASE IN JAPANESE AGENTS COMMISSIONS. THE GROSSED UP REDUCTION OF \$16 MILLION OR 7.4% REFLECTS LOWER LEGAL EXPENSES AND TIGHT CONTROL OVER PERSONNEL COSTS AND DISCRETIONARY SPEND.

EBIT BEFORE R&D COSTS AT \$316 MILLION REPRESENTS 31% OF REVENUE.

DESPITE THE SIGNIFICANT DOWNTURN IN EARNINGS WE CONTINUED OUR ONGOING COMMITMENT OF INVESTING IN OUR FUTURE THROUGH RESEARCH AND DEVELOPMENT. R&D COSTS INCREASED 11% WITH SPEND WIDELY SPREAD ACROSS KEY INITIATIVES SUCH AS *VIRIDIAN™*, OUR ACE CLASS III *TRUSERV™* SERVER BASED PRODUCTS, NEW PRODUCTS FOR EMERGING MARKETS AND THE DEVELOPMENT OF OUR *VIRIDIAN™ RFX™* STEPPER.

THE EFFECTIVE TAX RATE OF 26.9% IS HIGHER THAN THE 24% RATE FOR 2007.

THIS INCREASE IS PRIMARILY INFLUENCED BY HIGHER PROFITS IN JAPAN WHICH ARE TAXED AT 42% COUPLED WITH REDUCED PROFITS FROM BUSINESSES BASED IN LOWER TAX RATE JURISDICTIONS.

WE EXPECT THE EFFECTIVE TAX RATE TO APPROXIMATE 26 – 28% OVER THE MEDIUM TERM.

GIVEN THE SIGNIFICANT MOVEMENT IN FOREIGN EXCHANGE RATES OVER 2008 AND THE FACT THAT 83% OF OUR REVENUES ARE DERIVED FROM OUTSIDE OF AUSTRALIA, I HAVE SHOWN HERE HOW THE GROUP RESULT WOULD HAVE LOOKED HAD WE TRANSLATED THE YEAR'S RESULTS AT DECEMBER 2008 EXCHANGE RATES, NAMELY USD69c AND YEN63 TO THE AUSTRALIAN DOLLAR.

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IN THIS ANALYSIS I HAVE ONLY REFLECTED THE TRANSLATIONAL IMPACT OF FX CHANGES.

I WASN'T PROPOSING TO ANALYSE THIS IN ANY MORE DETAIL, BUT GIVEN ITS SIGNIFICANCE, I DID WANT TO SHARE IT WITH YOU. WE DO NOT AS A MATTER OF COURSE HEDGE OUR TRANSLATIONAL EXPOSURE. HOWEVER WE HAVE BEEN ABLE TO HEDGE OUR CASH FLOW EXPOSURE OUT A FEW MONTHS WHERE WE HAVE SUFFICIENT CERTAINTY OF THE REPATRIATION OF CASH FROM OVERSEAS BUSINESSES.

RESULTS WILL THEREFORE REMAIN SUBJECT TO FLUCTUATION DEPENDING ON WHERE EXCHANGE RATES END UP GOING.

THIS CHART RECONCILES 2007 EBIT OF \$332 MILLION TO THE \$213 MILLION REPORTED IN THE CURRENT PERIOD.

I HAVE TAKEN OUT FOREIGN EXCHANGE IMPACTS TO SHOW THE UNDERLYING MOVEMENTS IN REVENUE AND COST ELEMENTS.

I HAVE ALSO SEPARATELY IDENTIFIED THE CHANGES IN JAPANESE, ACE INTERACTIVE AND ELECTRONCEK RESULTS AS THESE ARE RELATIVELY SELF CONTAINED. YOU CAN SEE HERE THAT JAPANESE EBIT INCREASED \$38 MILLION ON THE BACK OF A NEAR DOUBLING OF VOLUME. THE ACE BUSINESS MOVED INTO A VIRTUAL BREAKEVEN POSITION FOLLOWING A LOSS OF \$12 MILLION IN 2007 AS THE NORSK TIPPING SYSTEM WENT LIVE IN NORWAY.

ON THE OTHER HAND OUR SHARE OF EBIT FROM ELECTRONCEK SUFFERED A DECLINE DUE TO THE TIMING OF VENUE OPENINGS AND DELAYS ASSOCIATED WITH THE LAUNCH OF THE NEW G4 PRODUCT LINE.

LOOKING NOW AT HOW THE BALANCE OF THE BUSINESS PERFORMED.

VOLUME WAS THE SINGLE BIGGEST NEGATIVE. YOU CAN SEE HERE THE MARGIN IMPACT OF LOWER VOLUMES, PREDOMINANTLY ACROSS THE AUSTRALIAN, NORTH AMERICAN AND ASIA-PACIFIC REGIONS.

THE CONTRIBUTION OF PRICE/MIX TO EARNINGS WAS \$9 MILLION.

THIS COMPRISES THE IMPACT OF THE EFFECTIVE PRICE INCREASE INTRODUCED ON *VIRIDIAN™* PARTIALLY OFFSET BY UNFAVOURABLE GAME MIX WITH A HIGHER PROPORTION OF STANDARD VERSES PREMIUM SALES, AND AN INCREASED UPTAKE OF FIXED TERM LICENSING IN NEW SOUTH WALES.

LOOKING SPECIFICALLY AT HARDWARE AND SOFTWARE PRICES ACROSS OUR MAJOR MARKETS, IN NORTH AMERICA AVERAGE PRICING WAS UP 8.4%, WHILE AUSTRALIA WAS UP 5.1%. IN OTHER MARKETS THE INCREASE WAS LARGER.

THE NET IMPACT OF THE INTRODUCTION OF OUR LICENSING MODEL IN AUSTRALIA IS INCLUDED HERE. THIS MODEL, WHICH IS DESIGNED TO PROTECT OUR INTELLECTUAL PROPERTY, HAS RESULTED IN A \$2.3 MILLION REDUCTION IN PROFITABILITY COMPARED TO WHAT WE WOULD HAVE RECORDED HAD WE CONTINUED TO SELL GAMES ON AN OUTRIGHT BASIS. AS WE PROGRESSIVELY MOVE TO SELL ALL SOFTWARE ON THIS BASIS, WE ARE BUILDING A FUTURE FINANCIAL BENEFIT WHICH WILL BE REALISED AS WE START TO RECEIVE LICENCE RENEWAL FEES AS LICENCES EXPIRE.

OTHER NET MARGIN DECLINED \$12 MILLION DUE TO LOWER SIGNAGE, SPARES AND AUSTRALIAN SYSTEMS REVENUES.

IN RELATION TO NORTH AMERICAN RECURRING REVENUE, THE INCREASE IN THE INSTALLED BASE WAS NOT SUFFICIENT TO OFFSET THE DECLINE IN AVERAGE DAILY FEES, RESULTING IN AN UNFAVOURABLE NET VARIANCE OF \$10 MILLION. THIS REFLECTS A COMBINATION OF THE TIMING OF THE INCREASE IN THE INSTALLED BASE, THE MIX OF UNITS DEPLOYED, A NUMBER OF WHICH WERE LOWER FEE STANDARD OPERATING LEASES AND A LACK OF NEW PRODUCT RELEASES INTO THIS SEGMENT AS OUR GAME DESIGNERS FOCUSED THEIR EFFORTS ON *VIRIDIAN* GAMES WHICH WILL BE RELEASED OVER 2009.

THE FAVOURABLE COST OF SALES IMPACT OF \$7 MILLION RESULTS PRIMARILY FROM THE UNWINDING OF A HIGHER COST BASE IN THE PRIOR YEAR.

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I HAVE SHOWN AS A SEPARATE ITEM THE \$15 MILLION IN ADDITIONAL INVENTORY PROVISIONS WHICH WE TOOK AS A RESULT OF CARRYING MULTIPLE PRODUCT LINES WHILE WE ROLL OUT VIRIDIAN™ GLOBALLY. THE BALANCE OF OUR INVENTORY PROVISIONING IS INCLUDED IN THE OTHER NET MARGIN COMPONENT.

SELLING, MARKETING, GENERAL AND ADMINISTRATIVE COSTS FELL SOME \$15 MILLION REFLECTING REDUCTIONS IN LEGAL EXPENSES, PERSONNEL AND DISCRETIONARY SPEND.

AS I HAVE ALREADY MENTIONED, WE HAVE CONTINUED OUR COMMITMENT TO INVESTING IN R&D. AT LIKE FOR LIKE EXCHANGE RATES, EXPENDITURE INCREASED \$11 MILLION, WITH OVERALL SPEND REPRESENTING 11% OF REPORTED MANAGEMENT REVENUE AS COMPARED TO 9% IN THE PCP.

THE FOREIGN EXCHANGE LOSS HERE REPRESENTS THE MOVEMENT IN NET TRANSACTIONAL FX HEDGES YEAR-ON-YEAR. A PROFIT OF \$7 MILLION LAST YEAR WHICH REVERSED TO A LOSS OF A SIMILAR AMOUNT THIS YEAR.

FINALLY, I HAVE STRIPPED OUT TRANSLATIONAL FOREIGN EXCHANGE IMPACTS FROM THE PREVIOUS COMPONENTS. YOU CAN SEE HERE THE NET IMPACT ON EBIT AMOUNTS TO A FAVOURABLE \$13 MILLION.

THE GOOD NEWS HERE IS THAT WITH PRICE AND COST MOVING IN THE RIGHT DIRECTION AND UNDER TIGHT CONTROL, I AM CONFIDENT THAT WHEN WE DO SEE INCREASES IN VOLUME, THIS WILL FLOW TO THE BOTTOM LINE.

I WOULD NOW LIKE TO FOCUS ON THE TRENDS OF SOME OF THE KEY DRIVERS OF EBIT – GROSS MARGIN, AVERAGE PRICING AND EXPENSE LEVERAGE.

THE CHARTS HERE SHOW HOW THESE HAVE TRENDED OVER THE PAST 5 YEARS.

THE CHART AT THE TOP SHOWS HOW THE GLOBAL WEIGHTED AVERAGE PLATFORM PLUS SOFTWARE SELLING PRICE HAS CHANGED YEAR-ON-YEAR. GIVEN THEIR

DISTORTIONARY IMPACT, I HAVE STRIPPED OUT THE EFFECTS OF CURRENCY CHANGES AND JAPAN. YOU CAN SEE THAT SINCE 2004 AVERAGE PRICES HAVE BEEN GROWING AT WELL ABOVE CPI AND ON A GENERALLY INCREASING TREND. IN FACT AVERAGE PRICES HAVE INCREASED BY 8.7% PER ANNUM COMPOUND OVER THE PAST 5 YEARS. IN 2008 AVERAGE PRICES WERE UP 8.9% VERSUS 2007.

THE CHART AT THE BOTTOM LEFT SHOWS REPORTED GROSS PROFIT WHICH INCREASED FROM AROUND 48% IN 2004 TO 60% IN 2006, WITH SUBSEQUENT DECLINES TO 52% IN THE CURRENT PERIOD. THE 2006 PEAK WAS INFLUENCED BY THE LACK OF SALES CONTRIBUTED BY JAPAN TO THE OVERALL MIX. THE DECLINE SINCE THAT PERIOD HAS BEEN PRIMARILY DRIVEN BY THE RECOVERY OF JAPANESE SALES WHICH ARE AT LOWER AVERAGE MARGINS COMPARED TO THE REST OF THE GROUP'S BUSINESS.

THE LAST CHART HERE AT THE BOTTOM RIGHT SHOWS NET EXPENSES BEFORE R&D COSTS AS A PERCENTAGE OF REVENUE. THIS KEY EXPENSE RATIO HAS STABILISED AT AROUND 19%. MUCH OF THESE COSTS ARE FIXED IN \$ TERMS AND WILL NOT STEP UP AS VOLUMES PICK UP.

I BELIEVE THESE CHARTS DEMONSTRATE THAT OUR BUSINESS FUNDAMENTALS REMAIN INTACT DESPITE THE 2008 DOWNTURN IN RESULTS AND THAT THEIR UNDERLYING TRENDS ARE POSITIVE. THESE ALSO SHOW THE OVERALL ROBUSTNESS AND SUSTAINABILITY OF OUR BUSINESS MODEL.

MOVING ON TO LOOK AT THE OVERALL PORTFOLIO OF OUR BUSINESSES AND THEIR RESPECTIVE CONTRIBUTIONS.

THIS CHART SHOWS THE OVERALL MIX OF OUR REVENUE VERSUS PCP.

THE SIGNIFICANT DECLINE IN AUSTRALIAN AND NEW ZEALAND REVENUES HAS SEEN ITS PERCENTAGE OF THE OVERALL DECLINE TO 19%,

GROWTH MARKETS HAVE DECLINED FROM 65% TO 61%, PRIMARILY REFLECTING THE IMPACT OF CASINO OPENINGS IN OUR OTHER GROWTH MARKETS, IN PARTICULAR MACAU.

JAPAN'S CONTRIBUTION HAS INCREASED TO 20% REFLECTING THE SIGNIFICANT TURNAROUND FROM THE PRIOR TWO YEARS.

YOU CAN SEE THAT IN OVERALL TERMS, THE PORTFOLIO REMAINS WELL BALANCED WITH ITS DIVERSIFICATION CONTINUING TO PROVIDE A DEGREE OF PROTECTION AGAINST MAJOR SHIFTS IN ANY ONE SEGMENT.

TURNING NOW TO CASH FLOW.

WE REMAIN FOCUSED ON CASH MANAGEMENT, WHICH HAS RESULTED IN A SIGNIFICANT IMPROVEMENT IN OPERATING CASH FLOW OVER THE PAST FEW YEARS.

FOR THE PURPOSES OF TODAY'S PRESENTATION, I WANT TO FOCUS ON A SUMMARY OF THE NET DEBT RECONCILIATION I HAVE INCLUDED IN THE MD&A.

BEFORE ABNORMALS, OPERATING CASH FLOW DECLINED 22% TO \$174 MILLION. WHILE THIS PRIMA FACIE IS A DISAPPOINTING OUTCOME, THIS WAS ACHIEVED DESPITE THE 31% DECLINE IN EBITDA.

THE REDUCTION IN EBITDA WAS OFFSET BY THE BENEFITS OF FX ON THE REPATRIATION OF OVERSEAS CASH FLOWS AS THE AUSTRALIAN DOLLAR DEPRECIATED AND A REDUCTION IN TAX PAYMENTS.

THE LEVEL OF NET WORKING CAPITAL HAS HOWEVER CONTINUED TO RISE, ITS RATIO TO THE LAST 12 MONTHS REVENUE RUNNING AT 14.4%, A SMALL IMPROVEMENT ON THE 14.6% AT 30 JUNE. THIS INCREASE REFLECTS HIGHER INVENTORY LEVELS AS WE MANAGE OUR NEW VIRIDIAN ALONGSIDE OLDER MK6 PRODUCT.

THE NET CASH OUTFLOW FROM INVESTING ACTIVITIES FELL \$37 MILLION TO \$18 MILLION, LARGELY AS A RESULT OF THE RECEIPT OF PROCEEDS ON THE SALE OF THE AUSTRALIAN MANUFACTURING SITES. UNDERLYING EXPENDITURE IN THE CURRENT PERIOD INCREASED \$8 MILLION TO \$65 MILLION MAINLY DUE TO THE FITOUT COSTS OF THE NEW INTEGRATION CENTRE, AUSTRALIAN HEAD OFFICE AND REFURBISHMENT OF OUR LAS VEGAS PLANT.

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IN SUMMARY, WE CLOSED THE PERIOD WITH NET DEBT OF \$376 MILLION, WITH INTEREST COVER AT A CONSERVATIVE 13.9 TIMES. OVER THE SECOND HALF, OUR NET DEBT POSITION ESSENTIALLY REMAINED UNCHANGED OTHER THAN FOR THE THE IMPACT OF EXCHANGE RATES AND THE CLASS ACTION SETTLEMENT.

THIS CHART SHOWS OPERATING CASH FLOW PERFORMANCE OVER EACH OF THE PAST 5 YEARS. THE BARS ARE THE DOLLAR AMOUNT OF OPERATING CASH FLOW.

THE RED LINE SHOWS HOW CASH FLOW HAS TRENDED ON A ROLLING TWELVE MONTH BASIS COMPARED WITH REVENUE. YOU CAN SEE THAT OPERATING CASH FLOW TO REVENUE HAS TRACKED AROUND 20 TO 25 PER CENT SINCE 2004, ALTHOUGH THIS HAS DETERIORATED TO 16% AT 31 DECEMBER.

THIS REFLECTS A COMBINATION OF THE NEED TO HOLD ON BALANCE SHEET END OF LIFE STOCKS OF MARK 6 PRODUCT AS WELL AS THE GREATER WEIGHTING OF JAPAN, WHICH AS A LOWER MARGIN BUSINESS GENERATES LOWER OPERATING CASH FLOWS AS A PERCENTAGE OF REVENUE.

GIVEN THE INFLUENCE THAT DIFFERENT MARGIN BUSINESSES CAN HAVE ON THE DELIVERY OF OPERATING CASH FLOW, I THOUGHT I WOULD TAKE THIS OPPORTUNITY TO INTRODUCE ANOTHER METRIC IN THIS AREA. HERE I HAVE PLOTTED OPERATING CASH FLOW AS A PERCENTAGE OF PROFIT AFTER TAX. ARGUABLY, GIVEN THAT OPERATING CASH FLOW IS AFTER INTEREST EXPENSE AND TAXATION, THIS IS A MORE VALID COMPARISON THAN VS REVENUE.

YOU CAN SEE HERE THAT THE RATE AT WHICH WE CONVERT PROFIT AFTER TAX INTO OPERATING CASH FLOW REMAINS VERY STRONG, IN FACT THIS WAS 123% IN 2008 VS A 5 YEAR AVEARGE OF 120%.

THIS CLEARLY DEMONSTRATES THE QUALITY OF OUR REPORTED EARNINGS.

IN SUMMARY, I AM CONFIDENT THAT THE LAST TWO CHARTS SHOW THAT DESPITE THE DOWNTURN IN

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EARNINGS, OUR CASH CONVERSION RATIO REMAINS VERY STRONG AND IS TESTAMENT TO EARNINGS QUALITY. THIS IS A FUNDAMENTAL PART OF OUR BUSINESS MODEL.

TURNING NOW TO OUR BALANCE SHEET POSITION AND CAPITAL MANAGEMENT.

FUNDING AVAILABILITY REMAINS VERY TIGHT EVEN FOR CORPORATES WITH HEALTHY CASH FLOWS AND FAVOURABLE CREDIT RATINGS LIKE OURSELVES.

AS PART OF THE ORDINARY COURSE, WE ROLLED OVER OUR ANNUAL SHORT TERM FACILITY IN EARLY FEBRUARY. IN DOING SO, OUR OVERALL FACILITIES HAVE REDUCED DUE PRIMARILY TO A DESIRE BY THE BANKING SYNDICATE TO REDUCE THE OVERALL FACILITY SIZE. THE MAIN REDUCTION WAS IN THE LETTER OF CREDIT FACILITY, PUT IN PLACE TO SUPPORT AN APPEAL IN THE CONVERTIBLE BOND LITIGATION, SHOULD SURETY BE REQUIRED, WHICH WAS CUT FROM USD200 MILLION TO USD100 MILLION. WE STILL RETAIN AMPLE FACILITY HEADROOM VERSES OUR DRAWINGS.

THE BALANCE OF OUR FACILITIES, THE 3 YEAR TRANCHE, IS DUE TO MATURE IN FEBRUARY 2011.

WE CONTINUE TO TAKE A CONSERVATIVE APPROACH TO CAPITAL MANAGEMENT IN LIGHT OF GLOBAL ECONOMIC CONDITIONS AND THE IMPACT THIS HAS HAD ON CREDIT MARKETS, THE NEED TO MITIGATE THE REDUCTION IN THE LETTER OF CREDIT FACILITY AND OUR OVERALL OBJECTIVE TO ENSURE THAT WE RETAIN OUR INVESTMENT GRADE CREDIT RATING.

OVER THE HALF WE HAVE PROGRESIVELY SCALED BACK THE EXECUTION OF OUR PREVIOUSLY ANNOUNCED CAPITAL MANAGEMENT STRATEGY.

WE INTEND TO SUSPEND FURTHER SUPPLEMENTARY DIVIDEND PAYMENTS AND WE HAVE ALREADY SUSPENDED OUR ON MARKET SHARE BUYBACK PROGRAM. FURTHER, GIVEN THE CURRENT GENERAL MARKET UNCERTAINTY, BUT RECOGNISING OUR CONFIDENCE IN THE UNDERLYING BUSINESS, WE HAVE RE-ALIGNED THE RANGE OF OUR TARGET DIVIDEND PAYOUT RANGE TO 50 – 70%. WHILE THE FULL YEAR PAYOUT RATIO EXCEEDS THIS RANGE, THE

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SECOND HALF PAYOUT REPRESENTS 67% OF PRE ABNORMAL EARNINGS PER SHARE.

WE HAVE ALSO DECIDED TO UNDERWRITE THE FINAL 2008 DIVIDEND.

IN RELATION TO DIVIDENDS, WHILE THE FINAL DIVIDEND IS FULLY FRANKED, I WOULD LIKE TO MENTION THAT GIVEN THE MIX OF OUR EARNINGS AND THE IMPACT OF THE ABNORMALS IN 2008, WE DO NOT EXPECT TO BE ABLE TO FULLY FRANK DIVIDENDS IN THE SHORT TO MEDIUM TERM.

WE BELIEVE THAT THESE INITIATIVES ENSURE THAT ARISTOCRAT RETAINS A VERY ROBUST BALANCE SHEET THAT, COMBINED WITH THE CASH GENERATION OF THE BUSINESS, PROVIDES THE APPROPRIATE LEVEL OF FLEXIBILITY FOR THE GROUP GOING FORWARD.

WE WILL OF COURSE CONTINUE TO ASSESS THE APPROPRIATENESS OF THESE INITIATIVES AS THE YEAR PROGRESSES AND OUR RESPONSE WILL REMAIN FLEXIBLE AS CIRCUMSTANCES DICTATE.

FINALLY, THIS CHART SETS OUT SOME KEY FINANCIAL DATA AND RATIOS, WHICH SUMMARISE OUR PERFORMANCE COMPARED WITH 2007.

I HAVE ALREADY SPOKEN TO MOST OF THE KPI'S HERE, SO I WON'T GO THROUGH THEM AGAIN.

I WILL HOWEVER SUMMARISE BY SAYING THAT THE COMPANY'S UNDERLYING BUSINESS FUNDAMENTALS REMAIN STRONG – WE CONTINUE TO DEMONSTRATE THIS THROUGH INCREASED AVERAGE PRICING, TIGHT COST CONTROL AND STRONG CASH FLOW.

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

THE RESULTS OF THE **AUSTRALIAN** BUSINESS WERE IMPACTED BY THE DELAYED AVAILABILITY OF *VIRIDIAN™ GEN 7™*, THE LACK OF *GEN 7™* GAMES TO SUPPORT THE PLATFORM AS WELL AS PROGRESSIVELY DETERIORATING MARKET CONDITIONS, WITH VENUE GAMING TURNOVER

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IMPACTED BY SMOKING BANS AND INCREASED OPERATOR TAXES.

FURTHER COMPOUNDING THE EFFECTS OF THE DELAYED APPROVAL OF VIRIDIAN IN QUEENSLAND AND LIMITED GAME APPROVALS IN VICTORIA AND NSW, OPERATORS IN NSW AND QUEENSLAND DIVERTED CAPITAL SPEND TOWARDS REDUCING DEBT LEVELS WHILE THE VICTORIAN OPERATORS APPEAR TO HAVE SLOWED DOWN THEIR CAPITAL SPEND FOLLOWING THE VICTORIAN GOVERNMENT'S ANNOUNCEMENT REGARDING THE CHANGE IN OPERATOR STRUCTURE POST 2012.

AS A RESULT, THE NUMBER OF REPLACEMENT HARDWARE SALES DECLINED. OVERALL UNIT SALES WERE DOWN 44% THIS PERIOD.

MARGIN DECLINED 11 PERCENTAGE POINTS DUE TO THE OVERALL REDUCTION IN SALES COMBINED WITH THE RELATIVELY FLAT FIXED COST BASE OF THE BUSINESS.

WHILE OUR ESTIMATED SHARE OF THE INSTALLED BASE REMAINED AT 67%, REPLACEMENT SALES OF ARISTOCRAT MACHINES IN THE YEAR HAVE FALLEN TO A LEVEL WHICH REPRESENTS A 35 YEAR CYCLE.

THE INTRODUCTION OF VIRIDIAN INTO NSW IN APRIL DROVE A 15% IMPROVEMENT IN OUR OVERALL AVERAGE PRICE PER UNIT WITH THE RATE OF SALES INTO NSW INCREASING AS THE YEAR PROGRESSED. VIRIDIAN SALES INTO NSW ACCOUNTED FOR APPROXIMATELY 32% OF OUR TOTAL SALES INTO THE AUSTRALIAN REGION OVER THE YEAR.

THE RELEASE OF VIRIDIAN ALTHOUGH DELAYED HAS PROGRESSIVELY GAINED MOMENTUM WITH ITS

ULTIMATE SUCCESS DEPENDANT UPON THE EXTENSION OF ITS GEN7 GAMES LIBRARY.

DURING THE PERIOD, WE ALSO LAUNCHED THE SALE OF CONTENT UNDER A NEW LICENCING MODEL DIRECTED AT ENHANCING THE PROTECTION OF OUR INTELLECTUAL PROPERTY.

OVER 9,000 LICENCES WERE SOLD DURING THE YEAR, WITH 14.6% OF THESE BEING FIXED TERM. THIS FINANCIAL MODEL WILL BOTH IMPROVE OUR IP PROTECTION AND PROVIDE US WITH AN ONGOING INCOME STREAM FROM CONTENT USAGE AND ANY SUBSEQUENT SALE IN THE SECOND HAND MARKET.

THE **NEW ZEALAND** MARKET REMAINS DIFFICULT WITH BOTH THE INSTALLED BASE OF GAMING MACHINES AND THE NUMBER OF GAMING VENUES CONTINUING TO DECLINE DUE TO THE RESTRICTIVE REGULATORY ENVIRONMENT.

THE MANDATED REQUIREMENT TO COMPLY WITH RESPONSIBLE GAMING LEGISLATION, REQUIRING RANDOM INTERRUPTIVE PLAYER INFORMATION DISPLAYS (KNOWN AS PIDS) IS APPROACHING THE 1ST JULY 2009 DEADLINE.

ALL GAMING MACHINES IN THE MARKET MUST BE PIDS COMPLIANT BY 1 JULY 2009.

WHILE A NUMBER OF OPERATORS ARE BEGINNING TO UPGRADE THEIR FLOORS, THE VAST MAJORITY ARE OPTING FOR GAME CONVERSIONS RATHER THAN CABINET REPLACEMENT, DUE TO CAPITAL BUDGET CONSTRAINTS AND THE DESIRE TO RETAIN MORE "PLAYER FRIENDLY" GRANDFATHERED GAMES AS LONG AS POSSIBLE.

WE EXPECT AUSTRALIAN MARKET CONDITIONS TO REMAIN CHALLENGING AND DIFFICULT TO PREDICT.

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IN 2009 WE WILL BE FOCUSED ON INCREASING JURISDICTIONAL APPROVAL FOR THE VIRIDIAN CABINET AND CONTENT.

WE WILL CONTINUE TO ENHANCE THE GAMES LIBRARY AND FOCUS ON THE ROLL OUT OF VIRIDIAN INTO THE QUEENSLAND MARKET AND TO A LESSER EXTENT, THE VICTORIAN MARKET. THESE FACTORS SHOULD POSITION US TO AVAIL OURSELVES OF OPPORTUNITIES AS THEY ARISE AND TO AT LEAST MAINTAIN OUR SHARE OF THESE MARKETS.

IN NEW ZEALAND, MARKET DEMAND DRIVEN BY PIDS COMPLIANCE REQUIREMENTS IS EXPECTED TO REMAIN POSITIVE THROUGH TO MID 2009, THE MANDATED DEADLINE FOR PIDS REPLACEMENTS.

IN NORTH AMERICA, IN CONSTANT CURRENCY TERMS, REVENUE FELL 5.6% AND PROFIT DECLINED 11%, PRIMARILY DRIVEN BY LOWER SALES VOLUMES AND A REDUCTION IN AVERAGE REVENUE PER DAY ON RECURRING REVENUE UNITS.

UNITS SOLD DECLINED 21% TO 10,841. AGAIN WE WERE AFFECTED BY LIMITED NEW PRODUCT TOGETHER WITH THE LACK OF A COMPETITIVE STEPPER AND A SLOW DOWN IN THE REPLACEMENT CYCLE WHICH HIT AN HISTORIC LOW WITH APPROXIMATELY 5.5% OF THE INSTALLED BASE BEING REPLACED IN THE YEAR IMPLYING AN ESTIMATED REPLACEMENT CYCLE OF 18.5 YEARS.

ENCOURAGINGLY, SOFTWARE SALES INCREASED 36% REFLECTING THE INCREASING SIZE AND AGE OF THE INSTALLED BASE OF ARISTOCRAT MACHINES.

AVERAGE SELLING PRICES INCREASED 8.4% DRIVEN BY THE HIGHER PRICE POINT OF VIRIDIAN.

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ALTHOUGH OUR INSTALLED BASE OF RECURRING REVENUE UNITS INCREASED FROM 7,473 IN THE PRIOR YEAR TO 7,785 AT YEAR END AND THE AVERAGE INSTALLED BASE THROUGH THE PERIOD INCREASED BY 10.4%, AVERAGE REVENUE PER DAY DECLINED FROM US\$44 TO US\$37 REFLECTING THE IMPACT OF LOWER OPERATOR REVENUES AND THE MIX OF JACKPOT VS NON-JACKPOT MACHINES.

SIMILAR TO OUR EXPERIENCE IN AUSTRALIA, DEMAND EARLY IN THE YEAR WAS IMPACTED BY THE DELAYED ROLLOUT OF VIRIDIAN AND A LIMITED NEW GAME LIBRARY TO SUPPORT THAT ROLLOUT. DESPITE DEFERRED PURCHASES DUE TO DELAYED APPROVALS AND THE LACK OF A SUPPORTIVE GAMES LIBRARY, PERFORMANCE AND OPERATOR FEEDBACK TO DATE HAVE BEEN POSITIVE.

AS THE NEW PLATFORM WAS PROGRESSIVELY RELEASED WE ESTIMATE THE GROUP'S OVERALL SHIP SHARE RECOVERED TO BE CLOSE TO 2007 LEVELS BY THE LAST QUARTER OF THE YEAR.

BY THE CONCLUSION OF THE YEAR, VIRIDIAN APPROVALS HAD BEEN GRANTED IN ALL KEY JURISDICTIONS COMPLEMENTED BY AN IMPROVING NEW GAMES LIBRARY.

OUR SYSTEMS BUSINESS DELIVERED ANOTHER RECORD YEAR SUCCESSFULLY UNDERTAKING 20 NEW INSTALLATIONS OVER THE YEAR, INCLUDING 2 IN NEVADA. OUR OASIS™ CASINO MANAGEMENT SYSTEM CUSTOMER BASE HAS INCREASED TO 250.

OUR OASIS™ SYSTEM REMAINS HIGHLY COMPETITIVE AND WE CONTINUE TO ADD HIGH PROFILE NEW VENUES TO OUR CUSTOMER BASE.

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WE INTEND TO RELEASE A STRONG LIBRARY OF THEMED PARTICIPATION GAMES PROGRESSIVELY DURING THE COMING MONTHS. THESE GAMES WILL INCLUDE LICENCED GAMES SUCH AS *JAWS™* AND *SOPRANOS™* AS WELL AS IN HOUSE DEVELOPED *HIT THE HEIGHTS™* AND THE SECOND EDITION OF *MILLIONISER™*.

WE WILL HAVE A FULL YEAR'S AVAILABILITY OF THE VIRIDIAN ACROSS ALL SIGNIFICANT JURISDICTIONS, SUPPORTED BY MORE EXTENSIVE GAME CATALOGUES.

THESE SHOULD ENHANCE OUR COMPETITIVE POSITION, HOWEVER IT IS DIFFICULT TO SEE THE PREVAILING ECONOMIC CONDITIONS IMPROVING QUICKLY AND IT IS UNLIKELY THAT THE SLOW DOWN IN THE REPLACEMENT CYCLE WILL SHOW MUCH IMPROVEMENT AS WE PROGRESS INTO 2009.

WE WILL BE RELEASING OUR *VIRIDIAN™ RFX™* STEPPER WHICH WAS SHOWCASED AT THE G2E TRADE SHOW IN NOVEMBER 2008 AND RECEIVED POSITIVE FEEDBACK FROM OPERATORS, ALTHOUGH IT WILL TAKE TIME TO GAIN MOMENTUM, IT WILL ENABLE US TO ENTER A SIGNIFICANT PART OF THE GAMING MARKET IN WHICH WE HAVE NOT PREVIOUSLY BEEN COMPETITIVE.

TURNING NOW TO JAPAN

THE PACHISLOT MARKET CONTINUED TO DECLINE DURING 2008. WE ESTIMATE MARKET DEMAND DECLINED SIGNIFICANTLY TO AN ESTIMATED 800,000 TO 900,000 UNITS (OFFICIAL FIGURES ARE UNAVAILABLE) WHILE OPERATORS IN THE MARKET ARE CURRENTLY ESTIMATED AT 11,000 TO 12,000 COMPARED TO APPROXIMATELY 17,000 JUST TWO YEARS AGO.

OPERATORS ARE ALSO FOCUSING THEIR DEMAND ON MAJOR TITLES WITH ONLY SMALL ALLOCATIONS FOR MORE MINOR TITLES. THIS IN TURN IS DRIVING STRONGER PRICE COMPETITIVENESS AMONGST SUPPLIERS.

DESPITE THE PREVAILING DIFFICULT MARKET CONDITIONS, OUR PERFORMANCE IN THIS MARKET IMPROVED SIGNIFICANTLY. WE ACHIEVED A RECORD, FOR US, SHARE OF ANNUAL SALES, ESTIMATED BETWEEN 6% AND 7%.

REVENUE AND PROFIT INCREASED 92% AND 636% RESPECTIVELY. UNIT VOLUMES WERE THE KEY DRIVER OF RESULTS WITH OVER 57,000 UNITS SOLD, ALMOST DOUBLE THE PRIOR YEAR.

DESPITE PRICING PRESSURES IN THE MARKET, OUR OVERALL YEN MARGIN IMPROVED TO 25%, RETURNING TO A LEVEL COMPARABLE TO THOSE LAST RECORDED AT THE HEIGHT OF REGULATION 4.

THIS MARGIN IMPROVEMENT REFLECTS IMPROVED ABSORPTION OF FIXED SELLING COSTS DRIVEN BY HIGHER UNIT SALES AND THE ABSENCE OF SIGNIFICANT INVENTORY WRITE-OFFS.

FIVE REGULATION 5 GAMES WERE MARKETED DURING THE YEAR, WITH TOTAL SALES ALMOST DOUBLE THOSE OF THE PRIOR YEAR. THIS RESULT WAS PRIMARILY DRIVEN BY CENTRAL BRAND TITLES *KYOJIN NO HOSHI 4™* AND *MAHA GO GO GO 2™*, WHICH SOLD A COMBINED TOTAL OF ALMOST 53,000 UNITS, BECOMING OUR MOST SUCCESSFUL REGULATION 5 GAMES TO DATE AND FIRMLY ESTABLISHING THE STRENGTH OF THE ARISTOCRAT BRAND IN THE REGULATION 5 MARKET.

THE RIGOROUS TESTING PROCESS OF NEW GAME SUBMISSIONS BY THE REGULATOR CONTINUES TO DETERMINE THE DYNAMICS OF THE MARKET WITH ONLY 43% OF INDUSTRY GAME SUBMISSIONS APPROVED.

WE CURRENTLY HAVE 2 NEW GAMES APPROVED AND A FURTHER 6 ARE IN DEVELOPMENT OR THE REGULATORY APPROVAL PROCESS.

THE IMMEDIATE OUTLOOK FOR THE PACHISLOT INDUSTRY IS EXPECTED TO BE DIFFICULT AS FINAL SALES OF HIGHER VOLATILITY PACHINKO GAMES, DUE TO BE PHASED OUT BY 31 MARCH 2009, WILL ABSORB OPERATOR BUDGETS, AND ECONOMIC CONDITIONS ARE UNLIKELY TO IMPROVE.

DESPITE THE MARKET'S SMALLER OVERALL SIZE, OUR GAMES SCHEDULED FOR RELEASE TOGETHER WITH THE STRONG PERFORMANCE OF *KYOJIN NO HOSHI 4™* FOR OPERATORS AT THE CLOSE OF 2008 SHOULD SEE US COMPETITIVELY PLACED GOING FORWARD.

IN REFERENCE TO OUR OTHER MARKETS. THE RESULTS HERE ARE A CONSOLIDATION OF OUR OTHER BUSINESS SEGMENTS, NAMELY ASIA-PACIFIC, EUROPE, MIDDLE EAST AND AFRICA, SOUTH AMERICA, ACE AND OUR 50% SHARE OF ELEKTRONČEK.

THE REDUCTION IN RESULTS WAS PRIMARILY DRIVEN BY SIGNIFICANT DECLINES IN ASIA PACIFIC, EUROPE AND ELEKTRONČEK, PARTIALLY OFFSET BY IMPROVEMENTS IN THE SOUTH AFRICAN AND SOUTH AMERICAN BUSINESSES.

THE ASIA PACIFIC RESULT WAS IMPACTED BY THE TIMING OF NEW VENUE OPENINGS, PARTICULARLY IN MACAU WHICH HAD BEEN EXCEPTIONALLY

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STRONG IN THE PRIOR YEAR, TOGETHER WITH AN OVERHANG OF MACHINES FROM 2007.

IN EUROPE, THE STRONG GROWTH OF THE LAST FEW YEARS SLOWED, MAINLY DUE TO WORSENING ECONOMIC CONDITIONS DRIVING REDUCTIONS IN DISCRETIONARY SPEND, THE LARGER THAN EXPECTED AND CONTINUED IMPACT OF SMOKING BANS ON OPERATOR TURNOVER AND GAME APPROVAL DELAYS.

VIRIDIAN WAS RELEASED ACROSS A NUMBER OF EUROPEAN JURISDICTIONS WITH ENCOURAGING INITIAL PERFORMANCE FIGURES AS WELL AS DRIVING A 28% INCREASE IN OUR AVERAGE SELLING PRICE.

SOUTH AFRICAN SALES WERE UP SOME 9% DUE TO INCREASED UNITS SOLD INTO THE LIMITED PAYOUT MARKET AND TRADITIONAL CASINO SEGMENTS.

SOUTH AMERICAN SALES ALSO INCREASED SUBSTANTIALLY, UP 75% FOLLOWING THE EXPANSION OF THE CHILEAN GAMING MARKET WITH SALES TO 8 NEW CASINOS.

WE CONTINUE TO MAINTAIN STABLE OR GROWING MARKET SHARES ACROSS VIRTUALLY EVERY REGION IN THIS SEGMENT.

THE ELEKTRONČEK RESULT DECLINED, WITH THE BUSINESS SEEING A SIGNIFICANT REDUCTION IN SALES INTO THE ASIAN REGION IN THE ABSENCE OF ANY LARGE CASINO OPENINGS.

THE MAJORITY OF SALES WERE INTO EUROPEAN MARKETS HOWEVER THESE WERE LOWER THAN IN THE PRIOR PERIOD DUE TO THE DELAYS IN GAINING PRODUCT APPROVALS FOR ITS *G4™ ORGANIC™*

PRODUCT RANGE AND THE IMPACT OF ECONOMIC CONDITIONS ON GAMING REVENUES.

OUR ACE SERVER BASED AND VIDEO LOTTERY TERMINAL START UP BUSINESS EARNED \$18 MILLION REVENUE IN THE PERIOD, A \$16.5 MILLION IMPROVEMENT ON THE PRIOR YEAR ALBIET DELIVERING A \$1.6 MILLION LOSS.

ACE COMPLETED SYSTEM DEVELOPMENT WORK UNDER THE NORSK TIPPING CONTRACT AHEAD OF THE ANTICIPATED COMMENCEMENT OF THE NETWORK IN NORWAY. THE SYSTEM WENT LIVE IN AUGUST 2008. WE EXPECT 6,500 TERMINALS TO BE DEPLOYED OVER THE NEXT 2 TO 3 YEARS, SUBJECT TO PERFORMANCE. 791 TERMINALS WERE DELIVERED IN THE PERIOD.

MARKET CONDITIONS ACROSS ALL OF THESE REGIONS ARE EXPECTED TO REMAIN CHALLENGING INTO 2009.

INITIATIVES WHICH WE WILL CONTINUE TO PURSUE ACROSS THESE MARKETS IN ORDER TO REALISE BENEFITS INCLUDE:

CONTINUED PROGRESSIVE APPROVAL AND ROLLOUT OF VIRIDIAN ACROSS MOST MAJOR EUROPEAN MARKETS.

CONTINUED EFFORTS TO PENETRATE THE SPANISH ARCADE MARKET.

FOCUS ON THE STRONG SOUTH AMERICAN PIPELINE, WITH PROSPECTS ACROSS A RANGE OF JURISDICTIONS THROUGHOUT THE REGION.

THE ROLL OUT BY ELEKTRONČEK OF ITS NEW *G4™* *ORGANIC™* PRODUCT RANGE IN 2009. I SHOULD ALSO MENTION THAT IN DECEMBER 2008,

ELEKTRONČEK OBTAINED LICENSES TO MANUFACTURE AND DISTRIBUTE IN NEVADA WITH BENEFITS EXPECTED TO FOLLOW ONCE FINAL PRODUCT APPROVALS ARE OBTAINED.

MELCO CROWN ENTERTAINMENT AND SJM ARE PLANNING TO OPEN NEW FACILITIES IN MACAU IN 2009. WE ARE FOCUSSED ON MAINTAINING OUR SHIP SHARE INTO THIS EXPANDING TERRITORY AND WE REMAIN CONFIDENT THAT, GIVEN GAME PERFORMANCE, THE ARISTOCRAT BRAND WILL RETAIN ITS SHARE OF THIS KEY STRATEGIC ASIAN MARKET AS NEW VENUES OPEN UP.

WE EXPECT THE NORSK TIPPING SYSTEM TO BE A KEY STRATEGIC REFERENCE SITE FOR US AS WE ACTIVELY IDENTIFY AND PURSUE OTHER GLOBAL VIDEO LOTTERY TERMINAL TYPE OPPORTUNITIES IN ADDITION TO PROGRESSING THE TRIALLING OF OUR *TRUSERV*[™] GAMING PLATFORM IN CASINOS GLOBALLY.

I HAVE ALREADY FLAGGED MANY OF THE MATTERS WHICH ARE KEY TO OUR ONGOING PERFORMANCE BY REGION. THE MAIN SHORT TERM PRIORITIES UPON WHICH WE ARE FOCUSED ARE:

- ON-GOING APPROVALS OF VIRIDIAN AND GEN7 GAME CONTENT IN EACH KEY MARKET;
- IMPROVEMENT IN THE PERFORMANCE OF OUR NORTH AMERICAN BUSINESS;
- MAINTAINING OUR COMPETITIVE POSITION IN JAPAN;
- THE LAUNCH OF OUR RFX STEPPER;
- OPTIMAL ROLLOUT OF ACE IN NORWAY;

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- APPROVAL OF *TRUSERV™* IN GLI AND THE COMMENCEMENT OF FIELD TRIALS;
- AT THE SAME TIME WE WILL CONTINUE TO REMAIN FOCUSED ON ENSURING WE MAINTAIN OUR BUSINESS FUNDAMENTALS OF PRICING, CASH FLOW AND COST MANAGEMENT.

I WILL NOW HAND OVER TO PAUL KITCHIN.

IN THIS FINAL SECTION OF THE SLIDE PRESENTATION THIS MORNING I WILL FOCUS ON THE *VIRIDIAN™ GEN7™* PRODUCT – ITS LAUNCH PROGRESS AND ASSOCIATED GAMES APPROVALS AND PERFORMANCE.

IN UNDERSTANDING THE PERFORMANCE OF THIS NEW PRODUCT THE STORY BEGINS WITH THE CABINET AND PLATFORM AVAILABILITY. BY AVAILABILITY – WE MEAN ACROSS WHAT PROPORTION OF THE MARKET HAS THE NEW VIRIDIAN BEEN AVAILABLE DURING THE COURSE OF THE LAST HALF AND THE YEAR.

IN AUSTRALIA, AS WE REPORTED AT THE LAST HALF, THE INITIAL RELEASE MARKET WAS NSW AND IT FOLLOWED INTO A FEW SELECT CASINOS. IN ALL THIS REPRESENTS 53% OF THE AVAILABLE MARKET AND THIS FIGURE HAS REMAINED THE SAME FOR THE SECOND HALF GIVING A FULL YEAR AVERAGE OF 37% AVAILABILITY FOR THE AUSTRALIAN MARKET. THIS WILL IMPROVE WITH THE UPCOMING LAUNCH OF THE VIRIDIAN PRODUCT INTO QUEENSLAND IN THE FIRST HALF OF 2009.

THE AVAILABILITY OF THE VIRIDIAN IMPROVED SIGNIFICANTLY IN THE US IN THE 2ND HALF OF 2008 WITH A NUMBER OF US JURISDICTION APPROVALS LIFTING THE FIGURE AT THE END OF THE 2ND HALF

TO 88% FROM 54% AT THE HALF YEAR TO GIVE A FULL YEAR AVERAGE AVAILABILITY OF 45%.

THIS INCREASED AVAILABILITY HAS CONTRIBUTED TO AN INCREASE IN THE NUMBER OF VIRIDIAN SALES AND WE CAN NOW REPORT OVER 6000 UNITS IN THE FIELD IN NTH AMERICA AND OVER 2000 IN AUSTRALIA.

IT IS IMPORTANT TO UNDERSTAND THAT CABINET AND PLATFORM APPROVAL IS JUST ONE STEP ON THE PATH TO LAUNCHING NEW PRODUCT AND IT IS THE GAMES AVAILABILITY WHICH HAS AN EVEN GREATER IMPACT.

THE NEXT SLIDE SHOWS THE GAMES APPROVALS BY QUARTER DURING 2008 FOR AUSTRALIA, THE US AND MACAU. IT HIGHLIGHTS BOTH THE VERY LOW NUMBER OF APPROVALS IN THE FIRST HALF OF THE YEAR AND THEN THE LIFT IN APPROVALS IN THE SECOND HALF. IN THE US MARKET THERE WERE 14 GAME APPROVALS IN Q3 AND ANOTHER 16 IN Q4. THIS INCREASE NOT ONLY ASSISTED IN SALES IN THE LAST QUARTER BUT ALSO SETS UP 2009 WITH A BIGGER PORTFOLIO OF GAMES TO SELL. IN AUSTRALIA 16 GAMES WERE APPROVED IN THE SAME PERIOD.

AS A RESULT WE BEGIN THE 2009 YEAR IN A SIGNIFICANTLY BETTER POSITION.

THE NEXT ASPECT OF THE NEW PRODUCT TO CONSIDER IS THE GAME PERFORMANCE. BASED ON DATA FROM OPERATORS WITH THE NEW PLATFORM AND GAMES WE CAN SEE THAT IN ALL THE US MARKETS THE NEW VIRIDIAN SHOWS AN IMPROVEMENT OVER THE EXISTING MK 6 SERIES - AND IT IS ALSO PERFORMING ABOVE THE FLOOR AVERAGE AT BETWEEN 1.2 AND 2 TIMES FLOOR AVERAGE.

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THE IMPROVED PERFORMANCE IS BEING FOUND IN THE STRONGER LOCAL PLAYER MARKETS OF THE WEST COAST AND MID-WEST – AS WELL AS THE MORE “TOURIST DESTINATION” REGIONS OF NEVADA AND THE EAST COAST.

IN AUSTRALIA YOU WILL SEE THAT GAME PERFORMANCE OF THE NEW CABINETS IS HOLDING AT SIMILAR LEVELS TO THE EXISTING XCITE MK6 PRODUCT - AND PERFORMING AT JUST ABOVE THE FLOOR AVERAGE. THIS IS A GOOD PERFORMANCE GIVEN THE SMALLER GAMES LIBRARY THAT IS AVAILABLE TO DATE. IT IS ALSO IMPORTANT TO UNDERSTAND THAT IN AUSTRALIA – WE HAVE MORE REGULAR STYLE PLAYERS – AND WITH THESE PLAYERS WE EXPECT IT TO TAKE LONGER FOR THEM TO ADJUST TO NEWER CABINETS AND THE ASSOCIATED GAMES.

IN CONTRAST THE US HAS MANY LARGER AND OPEN-FLOOR STYLE VENUES AND IT IS CHARACTERISED BY LESS REGULAR PLAYERS. IN THIS ENVIRONMENT THE SLEEK AND MORE MODERN LOOK OF THE VIRIDIAN IS PROVING AN ATTRACTION FOR PLAYERS, ALONG WITH THE NEW GAMES.

MOVING FORWARD WE REMAIN CONFIDENT THAT WITH THE *VIRIDIAN™ GEN7™* DEVELOPED AND LAUNCHED - THAT OUR GAME DESIGN STUDIOS WILL BEGIN TO FURTHER EXPLOIT THE CAPABILITY OF THIS PLATFORM WITH NEW RELEASE GAMES DURING 2009 AND 2010.

FINALLY A SNAP SHOT OF SOME OF THE MAJOR GAMES RELEASES THAT WE HAVE ON THE HORIZON. AS PREVIEWED AT THE G2E TRADESHOW IN LAS VEGAS IN NOVEMBER THERE ARE A NUMBER OF NEW PRODUCTS WHICH WILL SPECIFICALLY

TARGET THE RECURRING REVENUE AND HIGH VALUE SEGMENTS.

THE JAWS LINK PRODUCT IS A “SHARK AND HUNTER” BASED GAME MODELLED ON THE MOVIE OF THE SAME NAME – IT HAS FIVE BONUS AND JACKPOT FEATURES, AND ITS BELL TOLLING BOUY AND THE DRAMATIC JAWS MOVIE THEME MUSIC MADE IT THE CROWD STOPPER AT G2E. IT IS CURRENTLY MOVING INTO THE FINAL STAGES OF APPROVAL AND WE EXPECT THE FIRST INSTALLS IN THE US IN APRIL AND MAY AND THEN INTO AUSTRALIA LATER IN THE YEAR.

THE NEW SOPRANOS VIDEO PRODUCT HAS BEEN APPROVED WITH THE FIRST INSTALLS IN GLI APPROVAL JURISDICTIONS THIS MONTH. THE MEGA MILLIONISER IS A NEW BRAND EXTENSION OF THE MILLIONISER - A MILLION DOLLAR MULTI-GAME JACKPOT PRODUCT WHICH HAS BEEN VERY SUCCESSFUL IN THE US AND THE NEW VERSION WILL BE LAUNCHED ALONG WITH THE NEW STEPPER TITLES LATER THIS HALF.

THE NEW *VIRIDIAN™ RFX™* (OR REAL EFFECTS) STEPPER HAS MOVED INTO FIELD TESTING THIS MONTH AS THE FINAL PART OF THE APPROVAL PROCESS. THIS PRODUCT WILL BE SOLD IN A 3-REEL AND 5-REEL VERSION AND WILL BE LAUNCHED WITH 5-6 NEW TITLES. WE EXPECT ROLLOUT IN NEVADA AND GLI IN APRIL AND OTHER MARKETS FOLLOWING THROUGH THE BALANCE OF THE FIRST HALF.

FINALLY - HIT THE HEIGHTS WHICH IS PICTURED IN THE MIDDLE OF THE SLIDE. THIS NEW GAME HAS AN INTEGRATED WHEEL FEATURE, A METRE-HIGH BONUS TOWER, HAS BEEN DEVELOPED WITH FOUR UNIQUE GAMES SITTING UNDER THE RANGE - AND

IS PLANNED FOR APPROVAL AND ROLL OUT IN Q3 THIS YEAR.

ALL UP, A STEADY FLOW OF NEW PRODUCTS TO BE LAUNCHED DURING THE YEAR AND YOU WILL SEE IN OUR GAME RANGE THAT WE ARE COMMITTED TO BRINGING LICENSED THEMES AND BRANDS TO THE MARKET LIKE JAWS AND SOPRANOS BUT ALSO TO BUILDING ON OUR EXISTING STRONG BRAND GAMES LIKE MILLIONISER AND NEW GAMES IDEAS SUCH AS HIT THE HEIGHTS.

I WOULD NOW LIKE TO PASS ON TO ARISTOCRAT'S NEW CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR ELECT – JAMIE ODELL.

JAMIE ODELL ADDRESS (UNSCRIPTED)

LADIES AND GENTLEMEN, BEFORE I TAKE THE FIRST QUESTION, 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.

I WOULD ALSO LIKE TO POINT OUT THAT LEGAL CONSIDERATIONS WILL PREVENT US FROM ANSWERING ANY QUESTIONS REGARDING ONGOING LITIGATION.

PLEASE INDICATE IF YOU WOULD LIKE TO ASK A QUESTION AND ONE OF OUR ATTENDANTS WILL PASS YOU A MICROPHONE.

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