



**Review of operations
for the half year ended 30 June 2009
Aristocrat Leisure Limited
ABN 44 002 818 368**

Summary

Key performance indicators for the current and prior corresponding period are set out below:

	Constant Currency** H1 2009 \$Million	H1 2009 \$Million	H1 2008 \$Million	Variance vs H1 2008	
				Constant Currency** %	Reported %
Normalised Results*					
Total Revenue from Ordinary Activities	374.4	441.7	466.3	(19.7)%	(5.3)%
Earnings before Interest, Tax and D&D Costs	110.1	129.4	160.1	(31.2)%	(19.2)%
Earnings before Interest and Tax ("EBIT")	57.7	69.6	102.7	(43.8)%	(32.2)%
Profit after Tax	35.4	44.2	71.4	(50.4)%	(38.1)%
Profit after Tax and Minority Interest	35.2	44.0	70.4	(50.0)%	(37.5)%
Earnings Per Share (Fully Diluted)	7.3c	9.1c	15.2c	(52.0)%	(40.1)%
Interim Dividend Per Share	4.5c	4.5c	14.0c	(67.9)%	(67.9)%
Reported Results					
Earnings before Interest and Tax ("EBIT")	(24.9)	(13.0)	102.7	(124.3)%	(112.7)%
(Loss) / Profit after Tax	(41.9)	(33.1)	71.4	(158.7)%	(146.4)%
Balance Sheet / Cashflow					
Net Working Capital / Revenue	18.0%	15.2%	14.6%	3.4pts	0.6pts
Operating Cash Flow	68.0	74.7	64.5	5.4%	15.8%
Cash Flow Per Share (Fully Diluted)	14.1c	15.4c	13.9c	1.4%	10.8%
Closing Net Debt	(128.4)	(111.5)	(269.4)	52.3%	58.6%

* Before the net impact of abnormal and one off items that are not representative of the underlying operational performance of the Group. Refer page 4.

** First half 2009 result adjusted for translational exchange rates using rates applying in the first half of 2008.

The Group reported a normalised Profit after Tax and Minorities of \$44.0 million, representing a 37.5% decline compared with the prior corresponding period.

The Group's performance before one-off items was primarily driven by a \$31.9 million pre tax decline in Japanese profits coupled with weak underlying trading conditions across other key segments, Australia and North America. Performance across the remaining businesses (Rest of World segment) was mixed, with generally unfavourable results offset by regulatory enforced game replacement in New Zealand and favourable foreign currency translation benefits increasing mainly the Americas profit.

Across most jurisdictions, operators continue to take a cautious approach to capital expenditure and re-investing in their gaming floors, while in many cases new projects have been scaled back or deferred.

- Segment Revenue

Segment revenue declined \$24.6 million (5.3%) reflecting the impact of significantly lower sales volumes in Japan and adverse economic conditions across most jurisdictions in which the Group operates.

These negatives were partially offset by favourable foreign exchange translational benefits increasing reported North American revenue, increased sales in New Zealand driven by regulatory changes and higher ACE Video Lottery Terminal (VLT) sales.

North American revenue increased \$33.0 million (16.9%) in Australian dollar terms while in local currency the decline was 9.7% (\$17.7 million) primarily driven by lower sales volumes as a result of continuing difficult economic and operator trading conditions.

Australian revenue declined \$1.0 million (1.1%) mainly driven by lower conversion sales (declined 6.6%) partially offset by an increase in ViridianGen7 platform sales (up 30.4%) and improved average pricing (up 5.1%).

In Japan, revenue fell \$72.6 million (77.5%) to \$21.1 million. This sharp reversal results from the lack of a key licensed game launch in the half as well as overall depressed market demand.

In the Rest of World segments overall revenue was up by \$16.0 million, principally due to demand in New Zealand.

- Earnings

Segment EBIT declined \$27.2 million (17.0%) compared with the prior corresponding period. In line with revenue, Japan was the key contributor to the decline, with EBIT falling \$31.9 million.

Overall business segment margin declined by 4.3 percentage points to 30.0%, with all businesses except South America and New Zealand recording falls. These declines predominantly reflect the impact of lower variable contribution as a result of lower sales volumes and the relatively fixed cost bases of the businesses.

Total unallocated expenses increased \$5.9 million (10.3%) principally reflecting increased design and development costs, a \$2.0 million share of the losses made by Elektronček, compared to a \$0.8 million profit in the prior corresponding period and a net increase in corporate costs. Higher corporate costs are the result of higher legal fees incurred in the period and an increase in rent and related costs for the new head office premises in Sydney, partially offset by cost reductions across other categories of spend.

The Group's investment in its future through design and development spend totalled \$59.8 million, a \$2.4 million (4.2%) increase on the prior corresponding period. All design and development spend is expensed against profit. As a percentage of revenue, expenditure rose to 13.5% (from 12.3%) driven by the combination of the increased dollar spend and the depressed level of revenue in the period. On a constant currency basis, expenditure declined \$5.0 million and represented 14.0% of revenue in the period. The reduction in spend was realised through a refocussing of design and development efforts, in particular on the ACE business, and in cabinet engineering and design subsequent to the roll out of the *Viridian™* cabinet across the major jurisdictions.

The \$4.0 million increase in Interest expense reflects higher average net debt levels during the period prior to the Group's capital raising in April 2009.

The effective tax rate on the normalised result is 25.8%. This is lower than the 27.0% recorded in the 2008 full year, and the 26.2% recorded in the prior corresponding period. The reduction in the effective tax rate was driven by a more favourable mix of earnings particularly influenced by the absence of a strong result from Japan where profits are taxed at 46%.

The decline in Profit after Tax has resulted in basic and fully diluted earnings per share falling by 6.1 cents (down 40.1%) to 9.1 cents.

- Abnormal Items

These abnormal items are summarised below:

	Before Tax \$Million	After Tax \$Million
Property sales	8.8	8.8
Restructuring costs	(4.0)	(3.0)
Legal settlement	(4.3)	(3.3)
Impairment of multi-terminal gaming businesses	(83.1)	(79.9)
Net abnormal (loss)	(82.6)	(77.4)

Property sales: The Group completed its program to divest its Australian manufacturing sites during the half. This commenced in 2007 with the closure and transition of its traditional manufacturing operations. The remaining two sites were disposed during the period.

Restructuring costs: The Group has initiated a strategic review and cost alignment program with an objective of optimising future performance. Further costs associated with the implementation of this program will be incurred over the balance of the year as the program is rolled out.

Legal settlement: In line with a previous announcement to the market, the Group settled the Torango intellectual property litigation during the period.

Impairment of multi-terminal gaming businesses: In line with a previous announcement to the market, the Group has booked a one-off (abnormal/non cash) charge against the carrying values of its investments and inventories in its multi-terminal gaming businesses, Elektronček and PokerTek Inc.

Balance Sheet

The Balance Sheet can be summarised as follows:

	30 June 2009 \$Million	31 Dec 2008 \$Million	30 June 2008 \$Million
Net Working Capital	160.5	156.0	150.9
Other Current/Non-Current Assets	49.3	65.8	39.9
Property, Plant and Equipment	132.7	150.8	122.6
Investments in Associate and Other Companies	11.5	89.8	74.7
Intangibles	131.1	154.4	116.4
Other Current/Non-Current Liabilities	(97.0)	(97.8)	(85.8)
Provision for Supplementary Unfranked Dividend	-	(9.1)	(41.2)
Net Tax Balances	40.5	58.9	34.1
Funds Employed	428.6	568.8	411.6
Net Debt	(111.5)	(376.4)	(269.4)
Shareholders' Funds	317.1	192.4	142.2

Net Working Capital as a percentage of the last 12 months revenue was 15.2% at 30 June 2009, up 0.8% from 14.4% at 31 December 2008.

Significant Balance Sheet movements from 31 December 2008 are discussed below:

Property, Plant and Equipment: The \$18.1 million decline was primarily driven by \$23.9m in depreciation and a \$13.0 million decline due to translational foreign exchange. Total capital spend on participation units was \$24.1 million as the Group increased its global net installed base.

Investments in Associate and Other Companies: The \$78.3 million decline primarily represents the impairment charge recognised against the Group's multi-terminal gaming businesses, Elektronček and PokerTek Inc in the period.

Intangible assets: The \$23.3 million decline reflects the re-translation of foreign currency denominated intangible assets (primarily in North American and ACE businesses) at closing foreign exchange rates and \$3.3 million of amortisation.

Provision for Supplementary Dividend: At 31 December 2008 a provision of \$9.1 million was recorded in respect of the supplementary unfranked dividend of 2 cents per share paid on 5 January 2009. The Group has suspended the payment of further supplementary unfranked dividends.

Net tax balances: The \$18.4 million decline is primarily the result of lower profits in the period and tax refunds received in respect of the 2008 year.

Shareholders' Funds: The change in Shareholders' Funds reflects the net capital raising of \$236.7 million, shares issued as a result of the dividend reinvestment plan \$9.2 million, partially offset by a net reported loss of (\$33.1 million) for the period, dividends paid (\$47.0 million) and a (\$43.9 million) movement in the foreign currency translation reserve.

Statement of Cash Flows

Effective cash flow management continues to be one of the Group's key strategies.

The movement in net debt (debt less cash), after eliminating foreign exchange movements is set out below:

	H1 2009 \$Million	H1 2008 \$Million
Net debt - opening balance (31 December)	(376.4)	(111.8)
Normalised EBIT	69.6	102.7
Depreciation and amortisation	23.9	18.4
Normalised EBITDA	93.5	121.1
Non-cash adjustments:		
- Net profits on sale of non-current assets	0.1	0.6
- Share of Elektronček losses / (profits) after tax	2.0	(0.6)
- Net foreign exchange differences	(15.1)	9.6
- Expensing of costs of share-based payments	0.4	2.3
- Non cash interest income	(0.4)	(0.4)
Net interest paid	(10.0)	(5.7)
Net tax refund / (paid)	0.3	(37.2)
Change in operating assets and liabilities	3.8	(25.2)
Normalised net cash inflow from operating activities	74.7	64.5
One-off restructuring costs	(4.0)	-
Net cash inflow from operating activities	70.7	64.5
Loan repayments from related parties	1.3	1.2
Net cash outflow from other investing activities	(13.6)	(6.1)
Payments for lease liabilities	(0.1)	-
Net proceeds from issue of shares	236.7	-
Proceeds from exercise of options	-	0.7
Payments for shares bought back	-	(64.6)
Dividends paid	(47.0)	(161.5)
Movement in net cash	248.0	(165.8)
Effect of exchange rate changes on net debt	16.9	8.2
Net debt - closing balance (30 June)	(111.5)	(269.4)

Operating cash flow of \$74.7 million was \$10.2 million higher than in the first half of 2008. This increase, despite lower earnings and higher net interest paid, was driven by a net tax refund and reduced net working capital.

Fully diluted operating cash flow per share increased from 13.9 cents to 15.4 cents.

The net cash outflow from investing and financing activities primarily represents the net proceeds of \$236.7 million from the capital raising conducted in April 2009 offset by dividend payments.

The cash impact of abnormal items recognised in the half year result was \$4.0 million.

Foreign exchange movement had a favourable impact of \$16.9m on the net debt position.

Cash flow in the statutory format is set out in the Financial Statements.

Dividends

An interim dividend in respect of the half year ended 30 June 2009 of 4.5 cents per share, fully franked (\$23.9 million) has been declared and will be paid on 29 September 2009 to shareholders on the register at 5.00pm on 8 September 2009. The Dividend Reinvestment Plan ("DRP") will remain active in respect of this dividend (for shareholders resident in Australia and New Zealand), with DRP participants to be issued shares. In accordance with the DRP rules, the DRP issue price will be calculated by reference to the arithmetic average of the daily VWAPs over a period of five days commencing on 9 September 2009. No discount is applicable, however the number of ordinary shares DRP participants will receive will be rounded up to the nearest share. The DRP will not be underwritten.

The Group's ability to pay franked dividends is primarily influenced by its mix of earnings and agreed positions with various taxation authorities around the world. Based on the current mix of earnings and the impact of the 2008 abnormal items, the final dividend and dividends over the medium term are not expected to be fully franked.

This dividend represents a payout ratio of 54.3% of normalised earnings. It is the Group's intention to maintain an annual earnings payout ratio of 50% - 70% over the medium term.

Capital Management

The Group remains prudent in its balance sheet management with debt levels maintained well within those expected of its BBB- investment grade credit rating.

During the half the Group raised \$236.7 million (after costs) through a capital raising to:

- Strengthen the Group's balance sheet to deal with the current operating environment;
- Improve credit metrics to support its investment grade credit rating;
- Provide additional debt facility headroom to counter:
 - o reliance on debt refinancing given credit market conditions;
 - o a range of outcomes in relation to outstanding litigation matters;
- Provide financial flexibility to execute strategic opportunities as they arise.

The outlook for cash flow remains positive, with the business requiring limited capital investment to grow organically combined with an anticipated progressive reduction in working capital and continued focus on cash flow management. This will complement the above initiatives aimed at maintaining conservative gearing levels. The Group intends to preserve its investment grade credit rating and will continue to proactively review capital management initiatives on an on-going basis.

Bank Facilities

The Group had committed bank facilities of \$805 million and a USD 100 million Letter of Credit facility. The decline in drawn facilities reflects the receipt of funds from the capital raising and strong operating cash flows delivered in the half.

The Group's facilities and drawings at 30 June 2009 are summarised as follows:

Facility	Drawn as at 30 June 2009	Limit	Maturity Date
364 Day Debt	Nil	A\$220m	February 2010
Letter of Credit	Nil	USD100m	February 2010
3 Year Debt	A\$160.2m	A\$585m	February 2011

The Group is confident that these facilities remain adequate to meet the on-going requirements of the business and provide sufficient flexibility to enable the Group to respond to outcomes in relation to outstanding litigation matters and execute strategic opportunities as they arise.

Debt Ratios

The Group's interest and debt coverage ratios remain very strong:

Ratio	30 June 2009	31 Dec 2008	30 June 2008
EBITDA*/Interest Expense*	10.6X	13.9X	22.3X
Debt/EBITDA*	0.8X	1.7X	1.2X
Net Debt/EBITDA*	0.5X	1.4X	0.9X

* EBITDA and Interest Expense are based on the preceding 12 months results. EBITDA represents Bank EBITDA which is inclusive of interest received but excludes Class Action settlement, profits on the disposal of land and buildings and the impairment charge against the investment in Elektronček and PokerTek Inc.

For financial management purposes, the Group pays particular attention to the interest cover ratio (EBITDA/Interest Expense) as it reflects the ability of the Group to service its debt and is regarded as more relevant than gearing calculations. The Group's objective is to maintain conservative debt levels and to continue to operate at debt coverage ratios which are well within those considered appropriate of an investment grade rating.

Credit Rating

The Group's Standard & Poor's credit rating is BBB- which is investment grade, reflecting the Group's strong strategic, operational and financial position and outlook.

Foreign Exchange

Given the extent of the Group's global operations and the percentage of its earnings derived from overseas, its reported results are impacted by movements in foreign exchange rates.

In the current period, Revenue and Profit after Tax were favourably impacted by \$67.3 million and \$8.8 million respectively as a result of the translational impact of the generally weaker Australian dollar compared with the prior corresponding period. In addition, the net effect of the re-translation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was an unfavourable \$41.2 million (compared to a favourable \$2.6 million as at 31 December 2008). The net transactional foreign exchange impact ("transactional impact") on underlying local currency denominated transactions over the period was immaterial.

Details of exchange rate sensitivities based on the 2008 earnings mix are set out in the 2008 Annual Report.

Foreign exchange rates compared with prior periods for key currencies are as follows:

AUD:	30 June 2009	31 Dec 2008	30 June 2008	H1 2009 Average*	H1 2008 Average*
USD	0.8114	0.6928	0.9626	0.7176	0.9342
NZD	1.2428	1.1955	1.2609	1.2550	1.1903
JPY	77.76	62.57	101.93	68.81	97.51
EUR	0.5751	0.4919	0.6096	0.5352	0.6047
SEK	6.2245	5.3743	5.7545	5.8135	5.6782
ZAR	6.2999	6.4818	7.5949	6.3919	7.1931

* Average of monthly exchange rates only. No weighting applied.

BUSINESS SEGMENT REVIEW

In this review, segment profit/(loss) is before charges for license fees, design and development expenditure, corporate expenses, international service recharges, advance pricing agreements and any impairment of intangibles and other non-trading assets. The total amount of these items is included in the unallocated category. Constant currency amounts refer to 2009 results re-stated using exchange rates applying in 2008.

North America

A\$	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	227.7	194.7	33.0	16.9%
Profit	84.8	78.7	6.1	7.8%
Margin	37.2%	40.4%	-	(3.2)pts

USD	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	164.8	182.5	(17.7)	(9.7)%
Profit	62.0	74.0	(12.0)	(16.2)%
Margin	37.6%	40.5%	-	(2.9)pts

Volume				
– Platforms	4,264	5,252	(988)	(18.8)%
– Conversions	4,417	3,719	698	18.8%
Average USD price/unit	14,825	14,861	(36)	(0.2)%

Gaming Operations Units	5,987	5,459	528	9.7%
Gaming Operations USD/Day	43.10	44.33	(1.23)	(2.8)%

Local currency revenue and profit declined 9.7% and 16.2% respectively primarily driven by lower sales volumes as a result of continuing difficult economic and operator trading conditions. Lower sales volumes and lower recurring revenue margins partially offset by 3.4% savings across the relatively fixed cost base resulted in a 13.1% decline in gross profits, driving a 16.2% decline in margin.

While units sold in the period declined 18.8% to 4,264, overall ship share in the first half was marginally ahead that of the second half of last year. There was no notable change in the market replacement cycle over the first half which is estimated at over 25 years. Sales of software conversions increased 18.8% to 4,417 reflecting the capital constraints on operators.

The average selling price achieved during the period was USD14,825/unit which was broadly in line with the prior corresponding period. There are now over 10,000 *Viridian™* cabinets and *Gen7™* platforms (*ViridianGen7*) in the North American marketplace across 250 casino properties. The *Gen7* game library continues to grow with over 100 game titles now approved and available for sale. The company also sold product for the first time into Quebec after obtaining game approvals in that jurisdiction.

The Group received Nevada approval for its new *Viridian™ RFX™* stepper (*RFX* stepper) during the second quarter, which is now approved in all key North American jurisdictions. With 10 approved *RFX* stepper titles, the Group sold close to 300 units late in the second quarter.

A number of key participation games were approved and released in the period including *Jaws™* and *Sopranos™*. The approval of these two games resulted in the total gaming operations installed base increasing from 5,459 at 31 December 2008 to 5,987 at 30 June 2009. The gaming operations average fee per day declined from USD44 to USD43 in the same period, as the average age of the installed base increased. A rise in the fee per day is expected in the second half as higher returning new products such as *Jaws™* and *Sopranos™* contribute for the full period. As at 25 August the Group had over 1,100 *Jaws™* units installed or under contract. In addition to the gaming operations installed base there

were a total of 2,072 standard game leases, earning an average USD19 per day, compared to 2,256 earning USD20 per day as at 31 December 2008.

The systems business had another good half with revenue increasing 9.1% to USD21.6 million. In the period the Group won a large system contract in Oklahoma and had 7 new OASIS™ Casino Management System installations. Sales of Sentinel III™ player-tracking interface hardware also remained strong. Several key speedmedia bonusing applications were approved by both GLI and Nevada in the half.

While economic conditions and the replacement cycle are expected to remain unchanged in the second half of 2009, the Group is confident of being able to maintain ship share. The Group also expects to grow its gaming operations installed base and average fee per day in the second half given the strength of the Jaws™ game performance and a strong pipeline of participation products.

Australia

A\$	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	89.6	90.6	(1.0)	(1.1)%
Profit	22.4	25.2	(2.8)	(11.1)%
Margin	25.0%	27.8%	-	(2.8)pts
Volume				
- Platforms	2,189	1,679	510	30.4%
- Conversions	6,677	7,147	(470)	(6.6)%
Average A\$ price/unit	17,332	16,490	842	5.1%

Market conditions remained difficult, but stable during the first half of 2009 with operators diverting capital expenditure towards reducing debt levels and the creation of alfresco gaming areas in an effort to mitigate the effects of smoking bans. The Victorian Government's announcement regarding the change in operator structure post 2012 also continues to significantly impact the amount of Victorian operator gaming expenditure.

Revenue declined 1.1% and profit fell 11.1%. Platform unit sales increased 30.4% driven mainly by the increased penetration of ViridianGen7 in New South Wales (NSW) and its release in Queensland (QLD). Higher new platform sales resulted in conversions falling 6.6%.

Margin declined 2.8 percentage points as a result of discounting associated with the mandatory revocation of Indian Dreaming in the NSW market, in part offset by stronger ViridianGen7 margins. The Group's share of the installed base remains stable, with the increased level of platform sales representing a 27 year replacement cycle (down from 35 years in calendar 2008). This improvement in replacement demand reflects the increased availability of new content for the Group's new ViridianGen7 as well as strong demand for the new 3 year licence/lease sales model introduced late in the half.

The introduction of ViridianGen7 has seen average selling price per platform improve by approximately 5.1%.

Whilst general market conditions are expected to remain challenging throughout the second half of 2009, the Group expects to benefit from the continued roll out of ViridianGen7, particularly into QLD, together with improved in-field performance in NSW as the game library is expanded. In addition to this, the release of Jaws™ into NSW later this year presents an exciting opportunity for both the Group and the market.

Japan

A\$	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	21.1	93.7	(72.6)	(77.5)%
Profit	(5.3)	26.6	(31.9)	n/a
Margin	(25.1)%	28.4%	-	(53.5)pts

Yen	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	1,555.3	9,198.1	(7,642.8)	(83.1)%
Profit	(341.8)	2,608.2	(2,950.0)	(113.1)%
Margin	(22.0)%	28.4%	-	(50.4)pts

Volume – Games	5,747	32,280	(26,533)	(82.2)%
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The pachislot market remained soft in the first half of 2009, with 300,000 units shipped during the period, an estimated 33.3% decline on the prior corresponding period. Market volumes were particularly depressed in the first quarter as operators focused spend on higher volatility pachinko games which could no longer be acquired after a 31 March regulatory deadline. Recent data from the National Police Agency, shows that the number of hall operators declined a further 3.4% to 12,500 over the half year to June 2009, while the number of installed pachislot units declined 10.3% to 1.3m units over the period.

Revenue declined significantly by 83.1%, and the Group recorded a loss of Yen341.8 million compared with a profit of Yen2,608.2 million in the first half of 2008. This sharp reversal reflects a combination of the overall depressed market demand and the lack of a key licensed game launch in the half. The two games launched (*Judoz™* and *Get the Ranker™*) sold a total of 5,747 units, compared with the 27,857 units sold of *Maha GoGoGo2™*, one of the Group's key licensed themes during the first half of 2008.

Despite strong operator focus on competitive pricing, the Group successfully maintained its Yen gross profit per unit, however this variable contribution was insufficient to offset the operation's fixed cost base given the modest sales volumes.

The testing and approval process continues to be stringent with only 40% of manufacturer submissions approved in the first half (43% for 2008). The Group currently has one game approved and a further nine in the development/regulatory approval process.

Despite tight market conditions, the Group expects a robust second half with the scheduled launches of *Zettai Shogeki™* and the second series of a key licensed title.

Rest of World

A\$	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	103.3	87.3	16.0	18.3%
Profit	30.7	29.4	1.3	(4.4)%
Margin	29.7%	33.6%	-	(3.9)pts

Constant Currency [^]	H1 2009 \$Million	H1 2008 \$Million	Variance \$Million	Variance %
Revenue	93.1	87.4	5.7	6.5%
Profit	28.5	29.4	(0.9)	(3.1)%
Margin	30.6%	33.6%	-	(3.0)pts

Volume – Platforms	3,412	4,071	(659)	(16.2%)
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[^] Adjusted for translational exchange rates using rates applying in 2008

In constant currency terms, revenue increased 6.5% primarily as a result of the mandated requirement to comply with new regulations in New Zealand and further demand for Video Lottery Terminals, *TruServ™* system upgrades and related services under the Norsk Tipping contract.

Profit increased marginally with a threefold increase in New Zealand and a flat result in South America being largely offset by declines across all other regions.

Margins in each business largely reflected the impact of volume changes on fixed cost leverage, other than in ACE where a loss has been reported mainly due to costs incurred in pursuing other server based gaming market opportunities in Europe.

The strongest performing region in the Rest of World was New Zealand where the mandated requirement to comply with responsible gaming legislation requiring random interruptive Player Information Displays (PID) by 1 July drove sales during the period, growing 113%. Over the balance of the year, the launch of ViridianGen7 into the Class 4 market is expected to drive steady performance, however over the longer term, the New Zealand market is expected to remain in gradual decline.

In South America, local currency sales declined 31%, as the 2008 comparative had been positively impacted by the expansion of the Chile gaming market. The decline in overall profitability however was 17%, as the profit decline from lower sales volumes was partially offset by improved margins, given a favourable shift in the mix of new verses rebuild units sold.

Revenues in Europe, South Africa and Asia-Pacific all declined reflecting depressed economic and operating conditions and the lack of new venue openings. In addition, Asia-Pacific was also unfavourably impacted by the unexpected closure of the Cambodian arcade / club market. Profitability declines in these businesses were exacerbated by their fixed cost structures. Across these regions, the Group continues to maintain or grow its market share, with overall share in European markets having risen modestly, the South African business maintaining its casino market share at 26% (41% of video) and its Limited Payout Market share of 84%, and a stable slot market share between 55% to 60% in key venues in Macau.

The ACE business continues to grow its revenue base through sales of *Indago™* Video Lottery Terminals, *TruServ™* system upgrades and related services under the Norsk Tipping contract. A total of 6,500 terminals are forecast to be deployed over a 3 year timeframe, of which 4,400 were ordered and 2,600 had been delivered by the end of June 2009. Results of the business will however remain volatile until it secures additional contracts which are being actively pursued. The Group has secured an agreement with leading Gaming Operator Cogetech to jointly enter the Italian VLT market, following legislative approval and a number of major US and Asian operators are actively negotiating trials of its Class III solution.

Trading across the Rest of World is expected to remain difficult over the balance of 2009 and into 2010, with any upturn in demand lagging improvements in underlying economic conditions.