



SIX MONTHS ENDED 30 JUNE 06 HALF YEAR REPORT

ARISTOCRAT LEISURE LIMITED ABN 44 002 818 368



half year report

"Aristocrat reported a strong half year result driven by the Americas, Asia-Pacific and other emerging markets despite the disappointing result from Japan, which we have foreshadowed for some time. The underlying operating and financial momentum of the Company remains strong and we are well placed to capture a significant share of expanding global gaming markets over the next few years."

Paul Oneille, CEO and Managing Director

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Key dates 2006/2007**

30/8/06	Shares Trade Ex-Interim Dividend	21/8/07	Interim Results Announcement
05/9/06	Record Date for Interim Dividend	29/8/07	Shares Trade Ex-Interim Dividend
19/9/06	Payment Date for Interim Dividend	04/9/07	Record Date for Interim Dividend
20/2/07	Final Results Announcement for 2006	18/9/07	Payment Date for Interim Dividend
05/3/07	Shares Trade Ex-Final Dividend		
09/3/07	Record Date for Final Dividend		
23/3/07	Payment Date for Final Dividend		
01/5/07	Annual General Meeting		

* Aristocrat's financial statements for the first half are available online at www.aristocratgaming.com

** Dates subject to change

Company profile

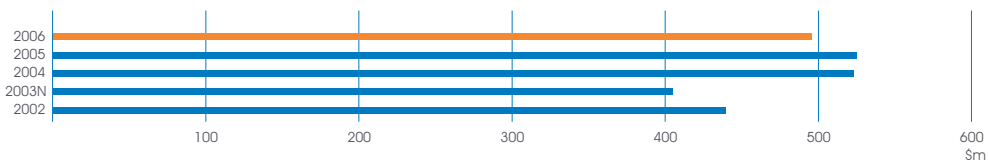
Aristocrat is a leading global entertainment company which provides a comprehensive range of gaming solutions to entertainment venues around the world. Aristocrat's gaming solutions consistently out perform the competition. The Company holds over 200 gaming licences and its products and services are available in over ninety countries around the world.

two thousand and six

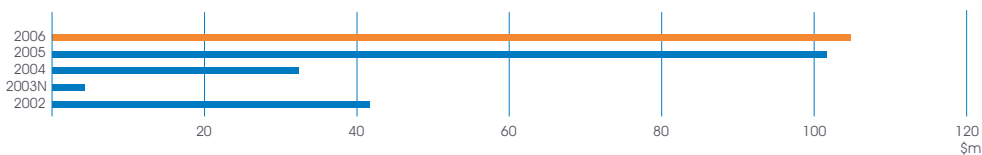
first half (H1) financials at a glance

01

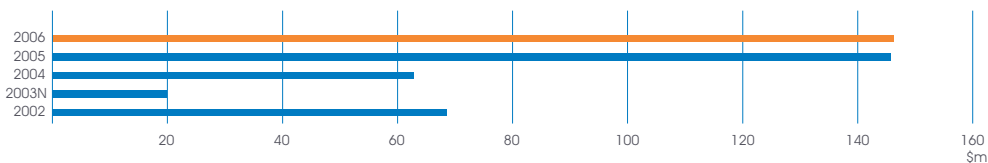
Total revenue, H1, 2002 to 2006*



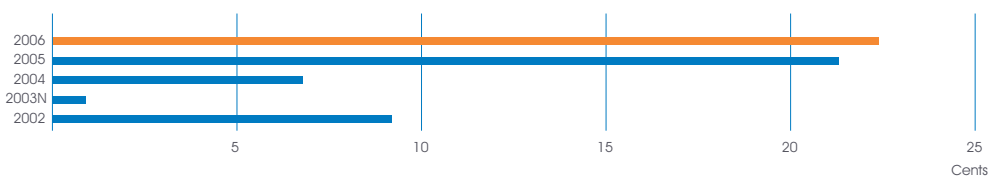
Operating profit after tax, H1, 2002 to 2006*



Earnings before interest and tax, H1, 2002 to 2006*



Basic earnings per share, H1, 2002 to 2006*



* 2003N represents the normalised 2003 results pre one-off adjustments. 2002 and 2003N results have not been restated for the adoption of AIFRS.

At the Annual General Meeting in May, we announced that we expected to report half year results broadly in line with the prior corresponding period of \$101.7 million.

We are pleased to advise you that despite the difficult regulatory and trading conditions in Japan, we posted a \$104.7 million profit for the first half of 2006, in line with our earlier expectations and, in itself, another record.

The North American business was the largest contributor to this result with profit up 30%, largely driven by increased market share and price movements.

The Australian and New Zealand results were affected by tight trading conditions, while our other businesses experienced solid growth as global markets expanded.

Underlying growth in our non-Japanese markets was strong, with profitability up 27% reflecting product performance, improved pricing and further leveraging of our fixed cost structures. This performance was sufficient to offset the profit turnaround in Japan.

During the first half, we have significantly increased our investment in research and development, with an additional \$14 million representing a 48% increase, being spent on our game output, systems capability and future technological advances such as downloadable and server based gaming.

Underlying operating cash flow, at around \$125 million, remains very strong after adjusting for one-off timing differences.

We have announced a 20% increase in our interim dividend to 12 cents per share,

representing a 54% payout of first half profits. This dividend is fully franked.

During the half, the company completed a number of strategic acquisitions. We purchased a 50% interest in Elektronček which manufactures multi-station gaming products and roulette, and ACE Interactive which provides interactive video gaming technologies. In addition, we acquired a 10% interest in PokerTek, a company that develops electronic poker table products.

We believe that these are key strategic investments which extend our product range and position us well for future developments in the global gaming arena.

While in the near term there continues to be uncertainty in some markets, we expect further strong growth from North America, Asia and other emerging markets, with newly acquired businesses in overall terms providing a further contribution to earnings over the balance of the year.

For the remainder of 2006, our objective is to drive profit growth in the non-Japanese businesses to compensate for any profit shortfall in Japan where we expect market conditions to remain difficult. The final result and growth in profitability year-on-year will depend on both the success of this strategy and the ultimate level of sales achieved in Japan in the second half.

While the short term profit outlook is difficult to predict, we are well placed to capture significant share of the anticipated expansion of global gaming markets over the next few years.



David Simpson
Chairman



Paul Oneile
CEO and Managing Director

Financial Report

Summary

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

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Total Revenue (from Ordinary Activities)	495.9	525.3	(29.4)	(5.6)%
Earnings before Interest and Tax (EBIT)	146.2	145.8	+0.4	+0.3%
Profit after Tax	105.3	101.7	+3.6	+3.5%
Profit after Tax and Minority Interest	104.7	101.7	+3.0	+2.9%
Net Working Capital/Revenue ^	7.7%	9.9%	-	+2.2 pts
Operating Cash Flow	18.9	119.7	(100.8)	(84.2)%
Closing Net (Debt)/Cash	(103.2)	175.8	(279.0)	(158.7)%
Earnings Per Share (Fully Diluted)	22.2c	21.2c	+1.0c	+4.7%
Dividends Per Share	12.0c	10.0c	+2.0c	+20.0%

^ as a percentage of last twelve months revenue.

Overall market and regulatory conditions across global gaming markets have been difficult. Of particular note, in Japan revenue declined \$82.2 million and profit contribution fell \$31.2 million as the transition to new industry regulations ("Regulation 5") caused short-term uncertainties in the entire market.

Despite these adverse conditions the Company's North and South American, Asian and European businesses have experienced strong growth, more than offsetting the impact of Japan.

Total Revenue decreased 5.6% to \$495.9 million while EBIT was flat, however excluding Japan, Management Revenue and EBIT increased 17.5% and 26.8% respectively (refer Segment Results).

As flagged earlier in the year, operating cash flow was significantly impacted by the unwinding of the phasing of receipts and payments associated with the release of *Kyojin-no-hoshi 3*[™] which had favourably benefited prior year cash flows. In addition, higher tax payments primarily from supplemental payments in 2006 as a result of a favourable instalment rate in the prior year and the higher 2005 profit impacted cash flow. As a result, operating cashflow decreased 84.2% to \$18.9 million, representing 3.8% of revenue.

At period end, debt exceeded cash on hand by \$103.2 million, a \$279.0 million turnaround from the net cash position at 30 June 2005. This reduction reflects the operating cash flow decline together with the \$141.4 million

spent on acquisitions and \$154.0 million returned to shareholders through dividends and other capital management initiatives during the half, with the Company continuing to acquire shares under both its on-market share buy back program and in satisfaction of outstanding contingent obligations under employee share based remuneration plans. Over the half a total of 4.9 million shares, representing 1.0% of outstanding shares, were acquired at a cost of \$60.2 million under these programs.

The combination of higher earnings and a lower weighted average number of shares saw fully diluted earnings increase by 4.7% to 22.2 cents per share.

In summary, while the current market situation in Japan is disappointing, the strong performance of the Company's other businesses, particularly North and South America, Asia and Europe have compensated for the impact of Japan enabling the Company to broadly maintain overall profitability in line with that of the prior corresponding period.

Income statement

The Company reported a half year Profit after Tax and Minority Interest of \$104.7 million. This result is a marginal 2.9% improvement on the \$101.7 million profit reported in the prior corresponding period.

The operating results for the half year presented on a management basis* are summarised below (analysis throughout this section refers to the results reported on a management basis).

– Segment results

	Segment revenue			Profit / (Loss)			% Margin		
	H1 2006 \$m	H1 2005 \$m	Var %	H1 2006 \$m	H1 2005 \$m	Var %	H1 2006 %	H1 2005 %	Var Pts
Australia	116.4	118.6	-1.9%	38.6	43.4	-11.1%	33.2%	36.6%	(3.4)
North America	274.2	245.2	11.8%	123.1	94.7	30.0%	44.9%	38.6%	6.3
South America	12.8	4.9	161.2%	7.8	2.0	290.0%	60.9%	40.8%	20.1
New Zealand	12.6	14.1	-10.7%	5.6	5.4	3.7%	44.4%	38.3%	6.1
Japan	9.6	91.8	-89.5%	(9.6)	21.6	-144.4%	-100.0%	23.5%	(123.5)
Other international	61.0	41.3	47.6%	17.6	9.7	81.4%	28.9%	23.5%	5.4
ACE Interactive	2.2	-	n/a	(1.8)	-	n/a	-81.8%	-	n/a
Elektronček*	19.2	-	n/a	6.0	-	n/a	31.3%	-	n/a
Total segment results	508.0	515.9	-1.6%	187.3	176.8	5.9%	36.8%	34.2%	2.6
Total segment results (excl. Japan)	498.4	424.1	17.5%	196.9	155.2	26.8%	39.5%	36.5%	3.0

* Management reported basis includes the Company's share of associate company Revenue, Segmental Profit (EBIT), Interest and Tax on their respective lines. On a statutory reported basis, the Company's share of associate company Profit after Tax is included as a one line income item only. In the prior corresponding period, statutory and management results were the same, as the Company did not have any investment in associate companies at that time.

– Segment results *continued*

	Profit / (Loss)			% Revenue		
	H1 2006 \$m	H1 2005 \$m	Var %	H1 2006 %	H1 2005 %	Var Pts
Unallocated expenses						
Research and development	(43.4)	(29.3)	48.1%	-8.5%	-5.6%	(2.9)
Foreign exchange	1.5	1.3	15.3%	0.3%	0.3%	-
Corporate / other	2.6	(3.0)	-186.6%	0.5%	-0.6%	1.1
Net non-recurring items	0.2	-	n/a	0.0%	-	n/a
Total Unallocated expenses	(39.1)	(31.0)	26.1%	-7.7%	-6.0%	(1.7)
Earnings before interest and tax	148.2	145.8	1.6%	29.1%	28.3%	0.8
Interest	(0.3)	4.2	-107.1%	0.0%	0.8%	(0.8)
Profit before tax	147.9	150.0	-1.4%	29.1%	29.1%	-
Income tax	(42.6)	(48.3)	-11.9%	-8.3%	-9.4%	1.1
Profit after tax	105.3	101.7	3.5%	20.7%	19.7%	1.0
Minority interest	(0.6)	-	n/a	-0.1%	-	(0.1)
Profit after tax and minority interest	104.7	101.7	2.9%	20.6%	19.7%	0.9

– Segment revenue

Total segment revenue decreased by \$7.9 million (down 1.6%) to \$508.0 million primarily as a result of the decline in Japan. Excluding Japan, segment revenue increased by 17.5%. After eliminating the impact of the generally weaker Australian dollar compared to the prior corresponding period, underlying local currency revenue growth (excluding Japan) was \$63.3 million or 14.9%.

While overall reported revenue was lower than the prior period, revenue results of individual businesses varied significantly. Australian revenue marginally decreased (1.9%, \$2.2 million), reflecting the maturity of the market

and the continuation of the difficult operating environment. North American revenue increased by \$29.0 million (up 11.8%), a major accomplishment given no new jurisdictions opened during the period and the overall subdued state of the replacement market. South American revenue increased 161.2% (\$7.9 million) off a low base due to increased sales to key accounts under the Company's low risk distribution model. In New Zealand, revenue declined (down 10.7%, \$1.5 million) principally due to the continuing fall in the installed base of slot machines and the impact of new restrictions which limited product available for sale in the half. In Japan, revenue fell 89.5% to \$9.6 million as a result

of market issues associated with the transition to Regulation 5 which meant that no new games were released in the half, with reported revenue relating exclusively to residual sales of *Kyojin-no-hoshi 3™*, which was launched in 2005.

In other regions, revenue performance was mixed with Asia-Pacific reporting strong growth as the Company continued to capture a significant share of this rapidly expanding market. European revenues increased, despite the Russian market being stalled, while South African revenues declined when compared to a particularly strong prior half.

Revenue contributions were also made by the Company's newly acquired businesses during the half. Essnet Interactive (now known as ACE Interactive), which was acquired on 5 May 2006, contributed revenue of \$2.2 million, while the Company's 50% share of Elektronček's revenue since acquisition on 27 January 2006 amounted to \$19.2 million.

These results are discussed in more detail in the Business Segment Review.

– Earnings

Management EBIT increased by 1.6% or \$2.4 million compared with the first half of 2005. Excluding the Japanese segment, EBIT actually increased by 27.0%. This improvement reflects a net \$41.7 million increase in contributions from non-Japanese business segments partially offset by a net \$8.1 million increase in unallocated expenses.

The overall improvement in contributions from non-Japanese business segments was predominantly driven by the North American business where profitability increased \$28.4 million. Increased segment contribution profit was also reported for all other business segments except Australia where margins declined on slightly lower revenue. The Company's 50% owned multi-terminal business (Elektronček) which was acquired effective 27 January 2006, contributed \$6.0 million to EBIT. The aforementioned market regulatory transition issues resulted in the Japanese business reporting a segment loss of \$9.6 million, down \$31.2 million on the prior corresponding period. This result includes a \$7.4 million provision for inventories of unique parts of *Kyojin-no-hoshi 3™*.

Overall non-Japan business segment margin improved by 3.0 points to 39.5%, with all business segments, except Australia improving profitability relative to sales. This sixth consecutive reporting period of overall segment margin improvement, reflects improved product mix, higher average selling prices and the continued focus on cost control and leverage of business infrastructure. Net unallocated expenses increased \$8.1 million (up 26.1%). This primarily results from an increase of \$14.1 million in research and development costs as the Company increases its new product delivery output and invests in new technologies. As a percentage of revenue, research and development expenditure rose to 8.5% for the half (first half 2005 – 5.6%). Over time, the Company expects research and development expenditure to average 5% – 6% of revenue.

Two one-off items are also included within net unallocated expenses, although these net to only a \$0.2 million gain on both a pre and post tax basis. The first results from the recognition of a \$6.0 million (pre and post tax) expense associated with inter-group loans related to the Company's convertible bonds. This non-cash accounting adjustment is required under International Accounting Standards on the realisation of amounts held in the foreign currency translation reserve. The second item relates to the recognition of a \$6.2 million (pre and post tax) profit on the sale of 28% of the Company's South African business.

Interest expense exceeded interest income by \$0.3 million, compared to net interest income of \$4.2 million in the prior period, reflecting the reduction in the Company's average cash balances and the move into a net debt position at period end.

– Tax

The effective tax rate for the half year of 28.8% is lower than the 2005 half year effective tax rate of 32.2% as a result of the impact of tax losses incurred in Japan where marginal tax rates are 42.0%.

The effective tax rate will generally exceed the Australian statutory rate of 30% due to permanent differences including non-deductible expenses, withholding tax on the repatriation of overseas dividends and overseas tax rate differentials. There was, however, no withholding tax leakage on overseas dividends during the current period.

The franking outlook continues to remain positive and as a result, the 2006 interim dividend payable in September 2006 will be fully franked. However, while the franking outlook is generally considered to be positive, given the international structure of the Company and the increasing proportion of offshore earnings, it is not possible to reliably determine the extent to which future dividends will be franked.

Earnings Per Share

The Company's half year Profit after Tax, combined with a reduction in the weighted average number of shares (as a result of the impact of the Company's capital management initiatives), has resulted in fully diluted earnings per share increasing by 1.0 cent (4.7%) to 22.2 cents. Basic earnings per share increased by 1.1 cents to 22.4 cents (up 5.1%).

Balance Sheet

The Balance Sheet can be summarised as follows:

	30 June 2006 \$Million	31 December 2005 \$Million
Net Working Capital	99.3	44.9
Other Current/Non-Current Assets	89.0	83.2
Property, Plant and Equipment	119.8	116.5
Investments in associate and other companies	86.1	-
Intangibles	156.5	76.2
Other Current/Non-Current Liabilities	(150.4)	(128.6)
Net Tax Balances	27.0	(24.3)
Funds Employed	427.3	167.9
Net (Debt)/Cash	(103.2)	183.7
Shareholders' Funds	324.1	351.6

Net Working Capital increased from \$44.9 million at 31 December 2005 to \$99.3 million. This increase, which was flagged in the Company's full year results, was largely driven by unwinding of a particularly favourable opening position arising from the phasing of payments and receipts associated with last year's sale of *Kyojin-no-hoshi 3™* in Japan. Offsetting this, the overall result was favourably impacted by strong collections in Australia following solid sales in the last quarter of 2005, and a fall in inventory levels in North America as a result of efficiencies in the supply chain. Overall, inventory levels (excluding Japan) declined 16.8%. Net Working Capital as a percentage of the last 12 months' revenue increased from 3.4% at 31 December 2005 to 7.7% at period end, remaining well within the Company's stated 10% target and below

the 9.9% recorded at the same time last year. Net Working Capital results in individual months will always remain subject to fluctuation as a result of particular trading initiatives such as major product launches.

Property, Plant and Equipment increased marginally reflecting total capital expenditure of \$16.8 million, offset by depreciation. Total capital spend on participation units was a modest \$6.0 million as a result of the small net increase in the installed base with ongoing "stay-in-business" capital expenditure amounting to \$10.8 million.

Investments represents the Company's 50% holding in Elektronček and just under 10% in PokerTek Inc. (NASDAQ: PTEK), both of which were acquired in the half.

Intangible assets have increased by \$80.3 million since 31 December 2005. This is due to the acquisition of ACE Interactive.

Other Liabilities increased \$21.8 million to \$150.4 million as a result of higher Progressive Jackpot Liabilities in North America combined with higher revenue billed in advance in Australia.

Net Tax Balances decreased as a result of the \$100.0 million of tax payments made in the half in respect of income tax obligations arising from the record 2005 profit result, offset by taxes payable on the current half profit.

In overall terms, Shareholders' Funds declined from \$351.6 million to \$324.1 million. The primary drivers of this reduction were the \$93.8 million 2005 final dividend payment and \$60.2 million spent on capital management programs, offset by the profit for the period.

Statement of Cash Flows

Effective cash flow management continues to be one of the Company's key strategies. As expected and mentioned in last year's financial report, operating cash flow for the first half was negatively impacted by the phasing of receipts and payments associated with last year's release of *Kyojin-no-hoshi 3*[™] and additional tax payments resulting from a particularly favourable Australian tax instalment rate in 2005. These unfavourable impacts have impacted operating cashflow in the first half by approximately \$100 million.

The movement in net cash (cash less debt), after eliminating foreign exchange movements is set out on the next page:

	H1 2006 \$Million	H1 2005 \$Million
Net cash - opening balance	183.7	121.5
EBIT	146.2	145.8
Share of Profit after Tax of associate company	(4.0)	-
Depreciation and amortisation	15.1	19.3
EBITDA	157.3	165.1
Non-cash adjustments:		
- Net (profit)/loss on sale of non-current assets	(5.8)	0.3
- Net foreign exchange differences	(2.9)	2.1
- Transfer from foreign currency translation reserve	6.0	-
- Expensing of costs of share-based payments	5.7	4.3
Net interest received	0.9	4.0
Net tax paid	(100.0)	(59.1)
Change in operating assets and liabilities	(42.3)	3.0
Net cash inflow from operating activities	18.9	119.7
Payments for acquisitions	(141.4)	-
Proceeds from sale of share in subsidiary	8.2	-
Loans to non-related parties	(9.0)	-
Net cash outflow from other investing activities	(17.3)	(15.9)
Proceeds from exercise of options	3.7	11.7
Payments for shares bought back	(16.8)	(35.9)
Payments to employee share trust	(43.3)	-
Dividends paid	(93.8)	(19.1)
Movement in net cash	(290.8)	60.5
Effect of exchange rate changes on net cash	3.9	(6.2)
Net (debt)/cash - closing balance	(103.2)	175.8

The marginally lower EBITDA result, coupled with lower non-cash adjustments, a \$40.9 million increase in tax payments and a \$45.3 million net increase in operating assets and liabilities drove operating cash flow down \$100.8 million (84.2%) to \$18.9 million.

The net cash outflow from investing activities increased \$143.6 million to \$159.5 million which was driven by the acquisitions check of holdings in Elektronček, PokerTek Inc and ACE Interactive during the first half, which collectively amounted to \$141.4 million.

Proceeds from share issues in the current period results from the exercising of employee share options.

A total of \$16.8 million was spent acquiring approximately 1.4 million shares under the Company's share buy-back program during the half. The Company also spent \$43.3 million acquiring approximately 3.5 million shares to satisfy obligations under employee share-based remuneration plans.

The appreciation of the Australian dollar against the US dollar since 31 December 2005 resulted in a \$3.9 million decrease in the Australian dollar value of the Company's foreign denominated net debt.

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 2006 of 12.0 cents per share (\$56.2 million), fully franked has been declared, representing a 20% increase on the 2005 interim dividend payment. This dividend will be paid on 19 September 2006 to shareholders on the register at 5:00pm on 5 September 2006. The Directors have determined that the Dividend Reinvestment Plan will not operate in respect of this dividend, however the Company proposes reinstating the Plan for the 2006 final dividend. At that time, the Company will evaluate the merits of acquiring shares on-market to satisfy dividends reinvested under the Plan.

A final dividend of 20 cents per share (\$93.8 million) was paid on 24 March 2006. The total dividend paid in respect of the 2005 year amounted to 30 cents per share, fully franked.

Capital Management

Given the Company's strong underlying cash flows and financial position, it has continued to proactively evaluate and initiate capital management opportunities. The Company's overall strategic capital management objectives remain unchanged, namely to maintain a conservative funding structure, which provides sufficient flexibility to fund the operational demands of the business and to underwrite any strategic opportunities.

Taking this into account, the Company has continued to progress a number of capital management initiatives during the half:

- in August 2005, the Company announced its intention to acquire shares on market in anticipation of satisfying outstanding contingent obligations in respect of share and option based remuneration plans. In doing so, the Company aims to mitigate the dilutionary impact of share issues which would otherwise be necessary to satisfy such obligations as they crystallise. In the six months ended 30 June 2006, a total of approximately 3.5 million shares at an average price of \$12.82 per share (total cost \$44.3 million) had been purchased, with a further 1.0 million shares acquired at a total cost of \$12.0 million up to the date of this report[†]. This brings the total number of shares acquired under this program to 6.6 million leaving 0.8 million shares to acquire before all current outstanding, unvested commitments are covered (including those relating to offers made under the Company's 2006 Long Term Incentive Plan). The Company will continue to consider further purchases as necessary to mitigate the dilutionary impact of any further share-based remuneration grants.
- in November 2005, subsequent to the conclusion of the Company's first \$100 million share buy-back program, the Company announced a further \$100 million share buy-back program. In the six months ended 30 June 2006, a total of approximately 1.4 million shares at an average price of \$11.79 per share (total cost \$16.8 million) were purchased under this second program. As at 30 June 2006, 29.8% of this buyback program had been

completed, with a further 0.7 million shares (total cost \$7.9 million) having been acquired up to the date of this report[†]. The Company anticipates continuing this program over the balance of 2006.

- in April 2006, the Company established an additional USD200 million (A\$269 million) Letter of Credit Facility to provide it with additional strategic and capital management flexibility. Including this new facility, total available facilities amount to \$569 million.

The Company is confident that it retains ample financial flexibility and its actions are consistent with its overall capital management objectives. The outlook for cash flow remains positive, with the business requiring limited capital investment to grow organically combined with tight controls over working capital and continued focus on cash flow management. The Company will continue to proactively review capital management initiatives on an ongoing basis.

Banking Facilities

The Company had committed banking facilities of \$300 million and a USD200 million Letter of Credit facility at 30 June 2006, of which \$107.9 million was drawn. The Company remains confident that, given the strong cash generation of the business and the current cash on hand balance, these facilities remain adequate to meet the ongoing requirements of the business and provide sufficient flexibility to enable the Company to execute strategic opportunities as they arise.

[†] The financial statements are available online at www.aristocratgaming.com

Debt Ratios

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

	30 June 2006	31 December 2005	30 June 2005
Debt/EBITDA*	0.7 X	0.4 X	0.5 X
Net Debt (Cash)/EBITDA*	0.3 X	(0.5) X	(0.5) X
EBITDA*/Interest Expense*	30.0 X	35.4 X	32.7 X
Debt/Equity	87.3 %	50.0 %	50.4 %
Net Debt (Cash)/Equity	31.8 %	(52.3) %	(52.7) %

* EBITDA and Interest Expense are based on the preceding 12 months results.

For financial management purposes, the Company pays particular attention to the interest cover ratio (EBITDA/Interest Expense) as it reflects the ability of the Company to service its debt and is regarded as more relevant than gearing calculations.

Credit Rating

The Company is pleased that Standard & Poor's upgraded the Company's credit rating in May 2006 from BB+ to BBB- which is investment grade, reflecting the Company's strong strategic, operational and financial position and outlook.

Foreign Exchange

Individual assets and liabilities denominated in foreign currency have been impacted by movements in foreign exchange rates since 31 December 2005. In net terms, however, the impact of the re-translation of foreign denominated assets and liabilities taken

to the foreign currency translation reserve amounted to only \$7.2 million.

The Company applies exchange rates prevailing at the reporting date in translating the overseas balance sheets of controlled entities. The Company translated profits earned offshore at the month end rate for each month.

In the current period, Total Revenue from ordinary activities and Profit after Tax were favourably impacted by \$10.6 million and \$4.1 million respectively as a result of the translational impact of the weaker Australian dollar compared with the first half of 2005. The transactional foreign exchange impact is complex and has not been quantified for this report, as this is subject to ongoing change given the difficulty in assessing the actual realisation of timing differences of the various currency cash flows and their recognition

through the Income Statement. These exposures do however remain subject to active monitoring and risk management.

Despite the existence of partial natural hedges reducing the transactional impact of foreign exchange movements on profitability, the Company's reported results will still be subject to fluctuation in total and at individual reported income and expense

levels as the Australian dollar translated equivalent of foreign denominated amounts varies as exchange rates change. Translational exposures are accounting in nature and are not hedged, other than naturally where possible.

More details of the sensitivity of the Company's results to changes in foreign exchange rates are set out in the Company's 2005 Annual Report.

Foreign exchange rates compared with prior periods for key currencies are shown below:

AUD:	30 June 2006	31 December 2005	30 June 2005	H1 2006 Average*	H1 2005 Average*
USD	0.7433	0.7370	0.7673	0.7444	0.7769
NZD	1.1802	1.0871	1.1069	1.1579	1.0953
JPY	85.11	87.48	85.56	85.82	83.35

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

Business Segment Review

Australia				
	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*†	116.4	118.6	(2.2)	(1.9)%
Segment Contribution Profit	38.6	43.4	(4.8)	(11.1)%
Segment Margin	33.2%	36.6%		(3.4) pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

† Australian segment contribution revenue excludes inter-segment revenue

Segment Revenue decreased 1.9% and Segment Contribution Profit declined by 11.1% when compared to the first half of 2005. Segment Margin declined from 36.6% to 33.2% despite increased platform and games volumes primarily due to a lower proportion of higher margin premium products in New South Wales (NSW).

Continuing regulatory restrictions, including caps on gaming machine numbers in every jurisdiction, and general uncertainty resulting from prospective smoking bans and licence renewals has seen the replacement cycle remain around historic lows. The resolution of the Club tax debate with the NSW Government has improved the confidence of the NSW club market which saw an increase in investment in gaming products towards the end of the half.

Platform sales increased 14.0% to 3,489 units when compared to the prior corresponding period. Unit sales in NSW were flat however unit sales in Tasmania, Queensland and Victoria increased reflecting the success of the Company's standalone and double standalone progressives such as *Zorro*[™].

The Company's *Xtreme*[™] *Mystery Link*[™], and *Player's Choice*[™] multigame products continue to perform well. During the half, *Xtreme*[™] *Mystery Link*[™] was also licensed to UNITAB Limited to use on its NSW state-wide linked jackpot system under the *Inca Fortune*[™] theme.

New supply contracts with two of the major Victorian operators have driven the increase in unit sales in that state. Higher unit sales in Tasmania were a result of new premium product approvals and releases while the South Australian market remained a difficult one with further regulatory reform proposals causing significant uncertainty for operators.

The Australian market remains challenging particularly given the progressive introduction of smoking bans and uncertainties created by Victorian operator license renewals, which are likely to impact demand in the short term.

The Americas

North America

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*	274.2	245.2	+29.0	+11.8%
Segment Contribution Profit	123.1	94.7	+28.4	+30.0%
Segment Margin	44.9%	38.6%		+6.3 pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

Segment Revenue increased by 11.8% and Segment Contribution Profit increased by 30.0% compared to the first half of 2005, reflecting strong performance in each of the Company's key business lines. This record first half result is particularly significant, given an overall slowdown in the market and delays in the opening of new jurisdictions with revenue and margin improvement predominantly reflecting the benefits of improved pricing on flat cost structures, in a market where overall volumes were sharply lower than the prior corresponding period.

These market conditions impacted on platform sales which were down 6.7% on the prior corresponding period to 8,449 units, despite the Company continuing to grow market share over the period.

Adverse market conditions also impacted the Company's recurring revenue business with only a marginal increase (2.7%) in the installed base to 6,329 units. Average revenue per day declined slightly to USD52 per day (2005 - USD54 per day) as a result of a higher mix of non-jackpot machines. Towards the end of the half, the 90-day field trial of the Company's *Hyperlink™ Loco Loot™* multi-site progressive (MSP) system at the Mohegan Sun Casino in Connecticut was successfully completed. Following the trial, the MSP moved into full rollout.

Elektronček's *Interblock™* multi-station games were integrated into the Company's product portfolio during the period, although placements in the short term have been inhibited by the product regulatory approval process.

Systems revenue fell \$2.0 million to \$16.8 million despite revenue from new installations increasing marginally. This decline predominantly reflects phasing of installation timings and lower sales of software upgrades. Aristocrat's *OASIS™* Casino Management System customer base grew to 204 and eleven new *OASIS™* customers, including the Company's first customer in the new Wyoming market, signed agreements with the Company. New *Sentinel III™* player-tracking interface hardware was installed in two venues and preliminary customer feedback has been encouraging.

The market slowdown is expected to persist for the remainder of 2006 unless new markets such as Pennsylvania and Florida open more quickly than anticipated. However, the second half outlook for the Company's North American business remains positive as the Company benefits from the widespread launch of its new MSP product, a strong pipeline of systems opportunities, increasing sales of 5-reel stepper and slant-top games together with further share gains driven by its superior product performance.

South America

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*	12.8	4.9	+7.9	+161.2%
Segment Contribution Profit	7.8	2.0	+5.8	+290.0%
Segment Margin	60.9%	40.8%		+20.1 pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

Segment Revenue and Segment Contribution Profit increased substantially, although off low bases, driven primarily by increased unit sales to selected key accounts, comprising many of the region's principal gaming operators. The timing of margin recognition under the Company's revenue recognition policy favourably impacted margin.

Moving forward, the Company will continue adding tailored product to its South American product library while exploring strategies to increase its recurring revenue installed base. The Company expects to benefit from the continuing success and increasing prosperity of the key South American gaming operators with whom it has established strategic relationships and from the ongoing market shift from stepper to video slot games, whilst continuing to operate within strict risk parameters.

Japan

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*	9.6	91.8	(82.2)	(89.5)%
Segment Contribution Profit/ (Loss)	(9.6)	21.6	(31.2)	(144.4)%
Segment Margin	(100.0)%	23.5%		(123.5) pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

As indicated at the Company's Annual General Meeting in May, the transitioning to new industry regulations ("Regulation 5") has caused short term uncertainty in the marketplace which is impacting on all competitors. As a result, no new products were released in the half, and total unit sales amounted to only 1,787, a significant reduction on the 24,000 units sold in the prior corresponding period.

Segment Revenue declined 89.5% and Segment Contribution Profit fell from a profit of \$21.6 million to a loss of \$9.6 million compared to the first half of 2005. This loss includes an inventory charge of \$7.4 million relating to unique components of unsold *Kyojin-no-hoshi 3™* games.

The Regulation 5 regulatory changes have adversely impacted the game approval process and player appeal of games. The resultant performance impact for operators has seen a number of halls closed with some industry commentators anticipating that the installed base of pachislot machines could fall by as much as 20%.

The majority of Regulation 4 pachislot games must be removed from the market by July 2007. To date only a small number of new (Regulation 5) games have been installed and therefore a mass replacement of the installed base must take place at some stage over the next 10 months. However, given the poorer performance of these new regulation games, operators are likely to be resistant to effecting this change until closer to the deadline.

To date, the number of individual Regulation 5 games sold by other companies has been significantly lower than corresponding Regulation 4 games and as a result the Company expects it will be some time before the average sales of each Regulation 5 game build to historic levels. In the meantime, the Company's strategy remains to launch a larger number of games each selling more

modest numbers than in the past. This strategy means the Company is highly dependent on the flow of game approvals from the regulator, which at this stage remain unpredictable. The Company has 4 Regulation 5 games submitted for approval, with a further 5 in various stages of development, most of which will be submitted for approval before the end of the year. The Company has carefully evaluated the new regulatory requirements and has had ongoing dialogue with the regulatory authorities, tailoring its games appropriately. However, there remain a number of subjective areas in the regulatory requirements which mean it is not possible to determine with certainty that any one game will be approved in its first submission.

The Company continues to be confident about the longer term sustainability and growth potential of its Japanese operations but expects game sales to remain soft for the balance of the year. The level of sales to be achieved will depend on both the number of game approvals that the Company obtains during the second half, the popularity of Regulation 5 games in general and the operators' strategy for replacing their installed base ahead of the July 2007 deadline.

New Zealand

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*	12.6	14.1	(1.5)	(10.7)%
Segment Contribution Profit	5.6	5.4	+0.2	+3.7%
Segment Margin	44.4%	38.3%		+6.1 pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

Segment Contribution Profit increased by 3.7% despite a revenue decrease of 10.7% caused by the continuing decline of the installed base of gaming machines in club and hotel markets and regulatory requirements which limited the Company's product available for sale for much of the half. Margin however improved as a result of an improvement in the mix of hardware versus software sales in the current period.

The rollout of the new Electronic Monitoring System ("EMS") commenced in June and is expected to be completed by March 2007. The costs associated with the EMS rollout, required conversion to a new protocol (QCOM) by March 2007, the 18 machine cap per venue and the impact of smoking bans continue to impact negatively on the market. Between January 2004 and March 2006 over 100 venues have closed and the installed base of gaming machines is now 15% lower than it was in 2002.

Further reductions in the number of venues and the installed base are expected.

Despite these challenges, the Company's products continue to perform well, particularly in the casino market, however trading results are expected to remain relatively flat in the short to medium term.

Other International

	H1 2006 \$Million	H1 2005 \$Million	Variance \$Million	Variance %
Segment Revenue*	61.0	41.3	+19.7	+47.6%
Segment Contribution Profit	17.6	9.7	+7.9	+81.4%
Segment Margin	28.9%	23.5%		+5.4 pts

* Refer to Note 2 in Half-Year Financial Statements (available on www.aristocratgaming.com)

Segment Revenue improved by 47.6% and Segment Contribution Profit increased by 81.4% driven principally by improved results from the Asia Pacific Region and the scale benefit of leverage of the Company's infrastructure.

Europe

The Russian market was effectively closed for the first half following legislation passed in 2005 which prescribed new licencing requirements for the sale of gaming machines. To date, the relevant licencing body has yet to prescribe the licencing process and as a result no licences have been issued. At this stage, the Russian market is not anticipated to reopen until, at the earliest, early 2007.

In the rest of Europe, the Company's business recorded substantial growth with revenue increasing 59% on the prior corresponding period. This improvement was led by strong sales in a number of jurisdictions including Slovenia, Germany and The Netherlands, with performance driven by the continuing success of premium offerings such as double standalone progressives and *Hyperlink*[™].

The Company expects to continue to make progress in growing its European ex-Russia business, however full realisation of the Company's overall European potential remains contingent on the re-opening of the Russian market.

Asia-Pacific

Revenue and Segment Contribution Profit each grew by approximately 100% reflecting the outstanding performance of the Company's products in this rapidly expanding gaming environment. In Macau, the Company's products continue to perform well, enabling the Company to maintain and build on its market leading position. Prominent examples include Aristocrat product representing over 50% of the gaming floor at the Sands Macau and over a third of the floor at the recently opened Grand Waldo Casino. With over 20 further venues under construction, the Company remains well placed to capture a significant share of this key strategic Asian market.

Elsewhere in the region, the Company installed its first recurring revenue machines and *DACOM*[™] system in the Philippines, where a new representative office was opened during the half. Product sales have also been strong in Malaysia, South Korea and Cambodia.

Growth in the Asia-Pacific business is expected to continue as gaming undergoes expansion across the region and the Company leverages its game performance and reputation.

South Africa

Results declined compared to the prior corresponding period, due to subdued market conditions and the continuing delay in the opening of the Kwa Zulu Natal Limited Payout Market (LPM) market. Despite these conditions, the Company maintained its position as the principal supplier of spinning reel video product in this market.

The sale of 28% of the Company's African business to a leading Black Empowerment Investment Company was completed in the half, realising a profit on sale of \$6.2 million (recorded outside Segment Profit), and placing the Company in a strong strategic position to further leverage its presence in the region.

Conditions in the market are expected to improve in the second half.

New Businesses

ACE Interactive

The Company completed the acquisition of EssNet Interactive AB (now known as ACE Interactive) on 5 May 2006. ACE is based in Stockholm, Sweden and develops, manufactures and markets next generation interactive systems and video terminal hardware and software, utilising a leading-edge system offering, based on PC technology in a client-server architecture. The highly scalable ACE solution has an open system architecture that allows any content provider to port games onto its interactive video terminal platform.

Prior to its acquisition by the Company, ACE was awarded a contract by Norsk Tipping, the Norwegian lottery, for the supply of an interactive video lottery system and around 10,000 terminals. The roll-out of this opportunity is pending resolution of a legal challenge (against Norsk Tipping) in the European Courts. In the meantime, the business is actively pursuing a number of opportunities with both state-sponsored organisations as well as private operators.

Revenue contribution for the period post acquisition represents sales of a small number of Interactive Video Terminal (IVT) units to a Czech Republic based customer. Further revenue in the short term is likely to be modest pending resolution of the Norsk Tipping legal challenge and/or successful realisation of one or more of the opportunities currently being pursued.

Elektronček

The Company's 50% interest in Elektronček (a company based in Slovenia, part of the European Union) was acquired on 27 January 2006. Elektronček trades under the *Interblock*™ brandname, manufacturing a range of electro-mechanical multi-station gaming products including Roulette, Dice and Sic Bo which are sold in gaming markets around the world.

The Elektronček business has traded ahead of expectations since acquisition with strong sales to Europe and North America, and a continuing significant presence in the Macau market where *Interblock*™ product commands a 55% share of the installed base of multi-terminal gaming product. Towards the end of the half, *Interblock*™ product was launched into the North American market with initial operating performance exceeding expectations. However, the regulatory approval process has delayed product launch in a few key jurisdictions, including NSW.

The Company expects continuing growth in revenue and contribution from Elektronček as its product portfolio is expanded and as regulatory approvals are received across global gaming jurisdictions.

Selected items from the Income statement	H1 2006 \$'000	H1 2005 \$'000	Variance
Total revenue from operating activities	480,651	513,087	
Other income	15,284	12,214	
Total revenue from operating activities	495,935	525,301	-5.6%
Gross profit	279,052	277,767	-
Gross profit %	56.3%	52.9%	3.4 pts
Earnings before interest and tax, depreciation and amortisation (EBITDA)	161,326	165,086	-2.3%
Depreciation and amortisation	15,083	19,323	-
Earnings before interest and tax (EBIT)	146,243	145,763	0.3%
Net interest received	14	4,264	
Profit before tax	146,257	150,027	-2.5%
Income tax expense	(40,918)	(48,372)	-
Profit after tax	105,339	101,655	3.6%
Profit attributable to minority interest	(597)	-	
Net profit after tax and minorities	104,742	101,655	3.0%

Selected items from the Cash flow statement	H1 2006 \$'000	H1 2005 \$'000
Opening balance for cash and cash equivalents	359,532	285,973
Net cash inflow from operating activities	18,901	119,687
Net cash outflow from investing activities	(159,470)	(15,898)
Net cash inflow/(outflow) from borrowing activities	107,851	(100)
Net cash inflow from issue and exercise of share options	3,707	11,701
Net cash outflow for shares purchased by trust	(43,337)	-
Net cash outflow for shares bought back	(16,841)	(35,869)
Net cash outflow for dividend paid	(93,821)	(19,144)
Effects of exchange rate changes on cash and cash equivalents	3,032	(2,446)
Closing balance for cash and cash equivalents	179,554	343,904

Selected items from the Balance sheet	H1 2006 \$'000	FY 2005 \$'000
Cash and cash equivalents	179,554	359,532
Current assets - receivables	178,766	285,056
Inventories	64,937	82,398
Current assets	12,902	11,512
Non-current financial assets	99,586	12,187
Property, plant & equipment	119,839	116,455
Intangible assets	156,545	76,183
Other non-current assets	124,304	124,097
Total assets	936,433	1,067,420
Current payables	144,414	322,527
Current and non-current interest bearing liabilities	282,747	175,808
Other current liabilities	102,421	148,565
Other non-current liabilities	82,787	68,963
Total liabilities	612,369	715,863
Net assets	324,064	351,557
Contributed equity	71,392	88,240
Reserves	(64,576)	(41,928)
Retained earnings	316,166	305,245
Parent entity interest	322,982	351,557
Minority interest	1,082	-
Total equity	324,064	351,557

Other information		H1 2006	FY 2005
Interim ordinary dividend declared (fully franked)	cents	12.0	10.0
Final ordinary dividend declared (fully franked)	cents	n/a	20.0
Total dividends	cents	12.0	30.0
Shares on issue at period end		469,197,715	470,535,639

Key ratios		H1 2006	FY 2005	H1 2005
Working capital/revenue (%)*		7.7%	3.4%	9.9%
Operating cash flow/revenue (%)		3.8%	29.9%	22.8%
Net cash/(debt)	\$m	(103.2)	183.7	175.8
Debt/EBITDA*		0.7X	0.4X	0.5X
EBITDA/interest expense*		30.0X	35.4X	32.7X
Return on equity*		32.3%	69.5%	63.4%
Earnings per share (basic)	cents	22.4	51.4	21.3
Earnings per share (diluted)	cents	22.2	51.1	21.2
Net tangible assets per share	cents	0.36	0.59	0.55

*based on preceding 12 month's results

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Non-executive Chairman

PN OneileChief Executive Officer And
Managing Director**WM Baker**

Non-executive Director

P Morris

Non-executive Director

AW Steelman

Non-executive Director

SAM Pitkin

Non-executive Director

RA Davis

Non-executive Director

Secretaries**BJ Yahl**

JFC Carr-Gregg

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Ordinary Shares are listed on the
Australian Stock Exchange

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our global market

+ Approved jurisdictions

Albania
 Angola
 Antigua
 Argentina
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 Australia
 Australian Cap. Territory
 New South Wales
 Northern Territory
 Queensland
 South Australia
 Tasmania
 Victoria
 Western Australia
 Austria
 Bahamas
 Barbados
 Benin
 Bosnia & Herzegovina
 Botswana
 Brazil
 Bulgaria
 Cambodia
 Canada
 Alberta
 British Columbia
 Manitoba
 New Brunswick
 Newfoundland
 Nova Scotia
 Ontario
 Prince Edward Island
 Quebec
 Saskatchewan
 Yukon
 Chile
 Colombia
 Comoros
 Croatia
 Cyprus, North
 Czech Republic
 Djibouti
 Dominican Republic
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 Luxembourg
 Macau
 Macedonia
 Malawi
 Malta
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 Nigeria
 Panama
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 Philippines
 Poland
 Puerto Rico
 Reunion
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 Saint Vincent and the Grenadines
 Senegal
 Seychelles
 Slovenia
 Solomon Islands
 South Africa
 Eastern Cape Free State
 Gauteng
 KwaZulu-Natal
 Mpumalanga
 Northern Cape

Saint Kitts and Nevis
 Saint Vincent and the Grenadines
 Senegal
 Seychelles
 Slovenia
 Solomon Islands
 South Africa
 Eastern Cape Free State
 Gauteng
 KwaZulu-Natal
 Mpumalanga
 Northern Cape

Limpopo
 North West
 Western Cape
 South Korea
 Swaziland
 Switzerland
 Tanzania
 Togo
 Tunisia
 Turks and Caicos Islands
 Uganda
 Ukraine
 United States of America

Arizona
 California
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 Delaware
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 Indiana
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 Kansas
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 Maine

Michigan
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