



Aristocrat Leisure Limited

SPEAKER NOTES

2009 FULL YEAR RESULTS PRESENTATION

23 February 2010

COVER SLIDE

Good morning everyone, welcome to Aristocrat's results presentation for the full year to 31 December 2009. I'm Jamie Odell, Chief Executive Officer and Managing Director of Aristocrat.

With me today on the podium is our Chief Financial Officer, Toni Korsanos. Also in the room are Nick Khin, President of our Americas business, Trevor Croker, Managing Director of our Australia and New Zealand business and Warren Jowett, Managing Director of Japan and Rest of World, along with other members of the Aristocrat executive team. Welcome everyone.

DISCLAIMER SLIDE

Before we begin, please note that this morning's presentation is being webcast, with a number of people participating on the call. I also draw your attention to the usual disclaimer statement prefacing today's presentation.

AGENDA - RESULTS OVERVIEW SLIDE

In terms of our agenda this morning, I will begin by providing a summary of our financial results for the full year and I will also make some high level comments on our operational performance. Toni Korsanos will then provide further detail around the numbers, including a review of segment performance in North America, Australia, Japan and the Rest of the World. I will subsequently update you on the progress we have made in implementing the 3-5 year turnaround strategy I detailed at the half year. I will then conclude with some brief outlook comments, before accepting questions.

RESULTS OVERVIEW SLIDE

While we were ahead of market consensus, it is clear that we are a work in progress. We all want to see the Group reaching its full potential but it's important to understand that we are only 6 months into our turn around program. Having said that we are beginning to see some operational improvement in line with our strategic priorities, but there is a way to go and we will stick to the task diligently throughout 2010.

In the 12 months to 31 December 2009 we faced challenging trading conditions across all major gaming markets. Operators were highly cautious in terms of capital spend and many new venue openings were either cancelled or deferred during the reporting period.



Revenue for the full year was \$908.6 million, 15.9% below the prior period, and our operating profit after tax and minority interest was \$116.4 million, 17.0% below the 2008 result. Net abnormals after tax were \$274.3 million, in line with our announcement earlier this month.

Operating cash flow was down 9.2% in reported figures compared to the prior corresponding period. This change was driven by lower earnings and adverse currency movements. Closing net debt was \$301.1 million less than the prior period, reflecting the successful \$236.7 million capital raising in April 2009, together with strong cash conversion.

As announced last month, we have reported a net loss of \$157.8 million for the full year, as a result of the abnormal charges.

2009 FULL YEAR SUMMARY SLIDE

As I said, against the backdrop of difficult market conditions, our reported result for the year is not good enough and we are a long way off our full potential.

However, there are a number of positives starting to come through in our underlying performance. Stronger earnings in the fourth quarter, particularly in our core strategic markets of North America and Australia, is an encouraging sign. We also grew share in these markets, and generally maintained share elsewhere despite intense competition. Growth in Australian revenues in 2009 was also positive.

In terms of gaming operations, which refers to high yielding win per day recurring revenue products, we achieved significant growth in our installed base in North America. In 2009, Aristocrat recorded the largest incremental growth in net installations in this market.

Although we have a lot of work still to do, it's clear that the improvements we are making in our product portfolio and go-to-market strategies have gained early traction with customers. We are working to ensure these are sustainable improvements.

We are also making steady progress in controlling costs across the business, and directing additional resources behind our strategic priorities. The provision we have made with respect to the Convertible Bonds litigation, while driving the reported loss for 2009, removes a historical overhang from the business and allows us to fully focus on our current agenda.

Our business fundamentals remain strong.

In the second half, we began implementation of our 3-5 year turnaround program. Early progress has been delivered to plan and there are tangible signs that we are on the right track and focusing on the areas that will drive value in the medium term.

I will now provide a summary of performance in our core strategic markets of North America, Australia and Japan.

In North America and Japan, we estimate that the markets in which we compete shrank by around 30% compared to the prior year. The Australian market remained flat overall.



In North America, an increased ship share and growth in our gaming operations installed base was more than offset by significantly lower demand, including in the systems market. Profitability fell 18.8% compared to the prior year.

In Australia, improved revenues and ship share reflected stronger game releases, a higher average selling price and steady customer uptake of our new 3-year licenses during the year. Profitability increased 21.6% compared to 2008.

The impact of the smaller market in Japan was exacerbated by the delivery of only one key licensed game title during the year, which limited sales volumes. Profitability fell 68.6% compared to the prior year.

I'll now invite Toni to provide more detail on our financial results and segment performance for 2009.

Toni ...

AGENDA – FINANCIAL RESULTS & SEGMENT PERFORMANCE SLIDE

Thank you Jamie and good morning everyone.

PROFIT & LOSS SLIDE

Turning first to the summary profit & loss statement. This slide sets out normalised results, both reported and on a constant currency basis.

Segment EBIT declined 15.2%, with all regions except Australia and New Zealand recording falls. This reflects the impact of lower sales volumes, partially offset by savings made in the Group's cost base during the year. This decline included a \$20.1 million improvement from the prior year in supply chain margins through improved manufacturing recoveries resulting from economies of scale on increased *Viridian™* production and lower provisioning levels. Segment EBIT as a percentage of revenue remained relatively flat at 33.4%.

EBIT before design and development costs included foreign currency hedging gains and a 7% underlying corporate cost saving which was offset by increased legal fees associated with the convertible bonds matter.

The Group's investment in its future through design and development spend rose as a percentage of revenue to 12.5% (and 12.1% on a constant currency basis) from 10.9% in the prior year. Total spend declined marginally to \$113.4 million, a 3.2% decrease compared to 2008 (a 6.1% decline in constant currency terms). This reflected improved efficiencies and more focused spend. Offshoring, particularly to India, will further improve efficiencies going forward.

Interest expense decreased by \$5.9 million reflecting the lower average net debt levels during the period following the Group's capital raising in April last year.

The effective tax rate on the normalised result is 25.1%, 1.9% lower than the prior corresponding period. This reduction was driven by the mix of earnings, particularly the weaker result from Japan where profits are taxed at 46%.

The decline in operating profit after tax has resulted in fully diluted earnings per share falling by 7.5 cents to 23.0 cents.



The Australian dollar was weaker against the US dollar and Japanese yen over the course of 2009, compared to 2008. The translated value of foreign denominated earnings increased reported revenue by \$1.1 million and decreased profit after tax and minority interest by \$5.3 million. Although the currency has fluctuated significantly during the course of the year, the weighted average of these movements has not varied materially across the comparative periods. The majority of the translational impact on profit after tax was driven by the timing of Japanese earnings which were heavily skewed to the latter part of the year.

ABNORMALS SLIDE

Jamie has already made reference to the \$274.3 million in abnormals that have significantly impacted our reported result for the year. This slide provides more detail, and I will focus my comments on the charges in the second half.

Earlier this month, we disclosed a \$187.3 million after tax provision for the expected damages liability associated with the Convertible Bonds litigation. This includes interest calculated to 30 April 2010. As we have previously said, the decision to record this provision does not pre-empt the US District Court's final judgment on damages, nor Aristocrat's position on any potential appeal.

The additional \$9.6 million in restructuring costs relate directly to the implementation of our strategic turnaround program and primarily represent redundancy costs.

EBIT BRIDGE SLIDE

I will now provide an overview of the key contributors to the normalised EBIT result for the year, compared to the prior corresponding period.

I have isolated the impact of foreign exchange and Japan for the purposes of showing the underlying movements in revenue and cost elements.

Japan performance was significantly down, with units sold declining from 57,437 to 29,760. This was due to the launch of only one major licensed title versus two in the corresponding period.

The negative volume variance on the chart reflects soft volumes across the global portfolio, other than in the Australian and New Zealand regions, primarily driven by depressed market conditions as previously flagged.

Price/Mix was adversely impacted by discounting on *Indian Dreaming*[™] following its revocation in Australia, and in North America by product and customer mix. This was partially mitigated through the recognition of an upfront license fee from a key Australian customer.

As previously noted, savings in both SMG&A and cost efficiencies in design and development were achieved during the year.

CAPITAL MANAGEMENT SLIDE

We continue to take a prudent approach to balance sheet management with conservative debt ratios and debt levels well within those expected for companies with a BBB- investment grade credit rating.



Our \$236.7 million capital raising was undertaken in order to strengthen our balance sheet and support our investment grade credit rating, given the potentially adverse outcome from the Convertible Bonds settlement. We have significant additional debt facility headroom and an improved ability to drive strategic opportunities if they arise.

Net debt levels have also been further reduced during the year.

In light of the Company's reported loss for 2009 and any resulting cashflow from the Convertible Bond litigation, the Board has determined that no final dividend will be paid for the 2009 year.

Total dividends in respect of the 2009 year therefore amount to 4.5 cents per share, fully franked. This represents a significant reduction on the total dividend payout of 36 cents per share paid in 2008 but is representative of the impact of the 2009 loss.

The Group is committed to providing shareholder returns through paying dividends and, subject to Board review at the appropriate times, will revert to its annual earnings payout ratio target of 50%-70% in 2010.

Operating cash flow decreased to \$157.8 million, representing 17.4% of revenue. This result is \$16.0 million lower than the prior corresponding period, mainly due to lower earnings and adverse foreign exchange movements.

Profit to cash conversion remained strong with operating cash flow representing 135.6% of profit after tax for the year compared to 123.9% in 2008.

Fully diluted operating cash flow per share declined from 37.8 cents to 31.2 cents.

I'd now like to provide more detail on segment performance.

SEGMENT REVENUE SPLIT SLIDE

On this chart I have shown segment revenue contribution by key region. North America's revenue contribution has improved slightly over 2008. Australia's contribution has also improved from 17% in 2008 to 23% in 2009. Japan's contribution fell from 20% to 11% over the same period. The contribution from the balance of our portfolio increased marginally in 2009 compared to the prior year.

NORTH AMERICA SLIDE

In North America, continuing weak economic conditions coupled with a slower replacement cycle and fewer new casino openings resulted in significantly reduced demand over the period. Revenues declined 16.8% or US\$65.3 million and profit decreased 20.9% or US\$32.3 million in local currency. However, as Jamie highlighted, we did grow our ship share but overall unit sales declined in a smaller market.

Systems and services revenue was weaker, due to fewer new casino installations with 13 in 2009 versus 20 in the prior comparative period.



Despite the weaker result, the number of properties which use the *OASIS™* Casino Management System in North America continued to grow and now stands at a record 264. While the *Viridian™ RFX™* stepper cabinet and platform released in 2009 are performing solidly in the field, sales have been limited to a few hundred units as we continue to focus on developing a competitive games library.

Average unit selling price during the period was US\$14,675, down 2.9% on the prior year primarily due to shifts in customer and product mix.

Our gaming operations installed base increased by 950 units in the 12 months to 31 December 2009, reflecting the traction generated by key game releases including *JAWS™* and *Hit the Heights™*. However, the installed base average fee per day declined from US\$46 to US\$42, principally reflecting reduced operator revenues.

AUSTRALIA SLIDE

In Australia there were signs of improvement in the latter part of the year with revenue increasing 12.1% or \$22.5 million and profits growing by 21.6% or \$11.2 million over the prior period. Ship share improved by 4.2% versus the prior comparative period, with New South Wales performing strongly and recording a 3.9% improvement. This result was driven by the strong performance of a number of game titles, including *JAWS™*, *Hit the Heights™* and *More Chill™*, along with the successful introduction of our new 3-year licensing model.

Performance was weaker in Queensland due to delays in game releases along with slower adoption of *Viridian™*. As was the case in New South Wales, we expect traction behind *Viridian™* will build in Queensland over time as stronger game content is released.

Average selling price improved by 3.8% with increased penetration of *Viridian™*. Conversions in New South Wales benefitted from the *Indian Dreaming™* revocation, but this was offset by a softer conversion market in Queensland due to the release of *Viridian™*. This represented a reversal of trends seen in the prior year.

Margin increased 2.4 percentage points driven largely by stronger *Viridian™* margins, savings in SMG&A of 5% and the contribution from prepaid licence fees from a key customer. Underlying performance excluding this contribution also grew compared to the prior period.

JAPAN SLIDE

In Japan, Aristocrat's revenues declined by ¥8.3 billion (49.3%) and profits by ¥3.0 billion (68.0%). While gross margins were maintained through cost efficiencies, the impact of this was more than offset by the decline in volumes.

The key licensed title *Tetsuya* was delivered to plan in the second half and achieved total sales above 18,000 units, ahead of our expectations within the demand constraints of that market. The lack of further licensed title releases during the period weakened our overall result.



REST OF WORLD SLIDE

I will now finish with our fourth segment, Rest of World.

Performance across this region was generally unfavourable. Total Rest of World revenues for the year declined by \$18.3 million (8.7%) and profits by \$13.4 million (20.7%) on a constant currency basis compared to the prior corresponding period. Encouragingly, Aristocrat held share across the segment in challenging market conditions.

The New Zealand business benefited from the impact of regulatory reforms, with profit increasing by \$5.2 million (61.9%) in constant currency.

While Aristocrat maintained its 55-60% market share in Macau, with *Fa Fa Fa*[™] performing strongly, the overall Asia Pacific contribution declined with the closure of the Cambodian Club market. Aristocrat has placed product with the two major Singapore casinos but has not recognised any associated revenues as regulatory approval was not received during 2009. These transactions will be recognised in 2010.

Revenues in Europe and South Africa declined, reflecting lower operator capital budgets and fewer new openings during the period.

Results in South America were down 26.1% in constant currency due to fewer expansions, partially offset by better margin outcomes and cost containment. During the period we also established a presence in Mexico and commenced sales activities in the last quarter.

ACE continued to rollout against the Norsk Tipping contract but incurred costs in pursuing new business opportunities, resulting in a loss of \$1.7 million in constant currency.

That provides an outline of the Group's financial result and segment performance for the full year. I will now pass back to Jamie to address strategy and outlook.

Jamie

AGENDA – STRATEGY UPDATE SLIDE

Thank you Toni.

I will now update you on the progress of our 3-5 year transformational change program, which we detailed at our August half year results presentation.

In August, I said that our plans to improve the performance of the business would be built around doing the basics more effectively: having clear goals, focusing on the big opportunities and disciplined execution through the line. I was clear that this is a 3-5 year strategy, the full benefits of which will take time to filter through to the bottom line. I will also repeat that our goal is sustainable value growth – not one-off results or short term savings.



FOUR STRATEGIC THEMES SLIDE

To recap, our strategy is comprised of a number of initiatives arranged under four clear themes. These are: becoming more player led and technology driven, building the best games and systems, focusing on the right markets and segments and creating a world class organisation to underpin and accelerate our efforts.

In August, we also called out the five most critical initiatives from across the breadth of our strategic change agenda, along with clear success indicators.

5 INITIATIVES THAT UNDERPIN SUCCESS SLIDE

These are the game-changing opportunities that we believe will make us successful, namely, doubling our share by value of the gaming operations market in North America over the next five years, closing the gap between ship share and installed base in Australia, better managing volatility in Japan, building a world-class product development capability and tightly aligning our resources with our strategy.

Six months in to our execution, we are making steady progress against our performance measures, which I will now step you through.

NORTH AMERICA – FOCUS TO UNLOCK POTENTIAL SLIDE

Over the past six months, we have invested significantly to build the focus and capability we need in the North American business to achieve our goals. We have increased investment in games development tailored specifically for this market, and established focused teams to lead the implementation of our gaming operations and stepper strategies. We have also increased investment behind our systems business.

In terms of where we are today in gaming operations, we have made early but tangible progress against our goal of doubling our share of the gaming operations market over 5 years. Looking ahead, we will further expand our footprint with the success of 2009 titles such as *JAWS™*, *Hit the Heights™*, *Beat the Bandits™* and *Foxworthy™*. We also have a robust 2010 pipeline, including: *Kentucky Derby™*, *Beijing Bonanza™* and *Big Top Jackpot™* as well as the third quarter launch of our new *Verve™* cabinet with *Tarzan™* and Godard's® *Rockin' Olives™* themed games.

While the performance of our systems business reflected the weakness of the market in 2009, a record number of properties are now using the *OASIS™* casino management system. We are investing more resources behind this profitable business, including incorporating leading edge technology to maintain its competitiveness.

In terms of the stepper segment, I would reiterate that we are building a new stepper business so it will take some time for momentum to grow. Our dedicated stepper team continues to focus on expanding and improving our game library with new game types and *Kentucky Derby™* due for release in the coming months.

In each of our key markets, we have significantly ramped up direct engagement with customers and this will continue. We were encouraged by positive customer feedback at G2E in November and the subsequent sales that resulted. There was a record number of attendees at our annual *OASIS™* systems customer conference and high level customer roundtables in the US have been well supported. Feedback



from these sessions is being fed into our new market insights function, which I will come back to shortly.

AUSTRALIA – AGILE & CUSTOMER LED SLIDE

The Australian business is continuing to undergo extensive change, with a new leadership structure and an increased focus on getting closer to customers, understanding their needs and responding with the best possible products for the Australian market. We have put additional resources behind dedicated game development for Australian jurisdictions, and accelerated our engagement with customers and the broader industry.

While it is early days in our work to close the gap between ship share and installed base in Australia, share growth of 4.2% in 2009, compared to the prior year, is an encouraging sign that we are moving in the right direction. Over 2010, we will fast track the implementation of our strategy, and make the significant changes still required to build a world-class business model in Australia.

We have also continued to engage actively in the responsible gaming agenda, and await the final recommendations of the Productivity Commission's review of gambling in Australia. We are working with the industry and other stakeholders to ensure that any recommendations that are eventually implemented are practical, affordable and effective in reducing problem gambling without unduly limiting choice and amenity for the majority of recreational players.

JAPAN – MANAGE VOLATILITY SLIDE

Over the past few months we have increased our focus on the Japan business and taken some important steps forward. In particular, we have deepened our understanding of market preferences in terms of game types and the synergies we can achieve by leveraging our global product development and supply chain processes. We have also put in place a three year product pipeline that will build our profitability and begin to iron out volatility in this strategically important market. The success we had in the second half with the launch of the key licensed title *Tetsuya* shows that we are focusing on the right factors in Japan.

This month our Japanese subsidiary signed a conditional agreement to make a non-material acquisition that will assist in increasing our annual game approval slots. Leveraging this opportunity is one key plank in our plan to ensure we can bring more games to market and do so on a consistent basis. Other strategies are also in progress to build our library of strong licensed characters, which will improve our hit rate and sales volumes over time.

I would, however, reiterate my comment of last August that it is going to take 2-3 years for us to establish the necessary D&D capabilities and acquire appropriate licences in order to see real top-line momentum coming through. This is particularly so in the context of economic conditions in Japan, and given the complexity of local regulations. In 2010 we expect to release only one key licensed title in the Japanese market.



REST OF WORLD – A FOCUSED APPROACH SLIDE

In August, we flagged a disciplined and value-led approach to improving returns on investment outside our key markets. In line with this we have now exited over 40 non-core jurisdictions. We have also established clear criteria for future market entry and exit decisions.

Given prevailing market conditions in the Rest of World segment, it will take some time to generate a top-line impact and improve profitability. However, we are generally holding share across this segment, and taking the right steps today to position the business for future growth.

WORLD CLASS PRODUCT DEVELOPMENT SLIDE

Substantial progress has already been made in building a world-class product development process that delivers the best games and systems in each market – faster, and more efficiently – to our customer facing teams.

We have established a global marketing insights function in Las Vegas to collect and interpret privileged player, customer and market insights.

The development of the new Verve™ cabinet which will be released in the US in the second half of 2010 has been shaped by extensive player testing and feedback, and we have increased our investment in market research in North America, Australia and Japan, along with the number of test banks in place in these key markets. We have also introduced our first ever test bank in Macau. These are small but significant steps towards putting players and customers at the centre of our business.

At the same time, we have enhanced our ability to leverage insights by improving core product development processes and capability – particularly in cutting edge gaming technology. A number of critical, high calibre appointments have been made to ensure we have the skills we need to execute our product strategies. For example, we recently announced the appointment of Victor Blanco to lead our new global platform architecture team based in the technology hub of Austin, Texas. Victor brings an outstanding platform technology background to Aristocrat from his work on Microsoft's Xbox and on mobile phone platforms developed for both Microsoft and Google.

We have also continued to focus on improving efficiency. Our Indian Development Centre became fully operational on the first of this month. We expect this resource to eventually absorb over 50% of routine programming, porting tasks and standard systems work, allowing our creative studios to focus on innovative and value-adding development activity. A range of other initiatives aimed at optimising our supply chain footprint are also progressing well and will give us additional operational strength and flexibility over the coming period.

We previously highlighted that Aristocrat would more aggressively protect our intellectual property. The favourable judgement handed down by the Australian Federal Court late last year, in a case involving the theft of Aristocrat game software, is an example of the success we are having on this front. We will continue to take an



assertive approach to protecting our critical IP assets and take appropriate enforcement action where necessary.

We expect benefits from the product development workstream will begin to be felt in 2011 as stronger games are brought to market. We will be exhibiting evidence of our early progress at G2E 2010.

RIGHTSIZE THE BUSINESS SLIDE

In the fourth quarter of 2009, we completed a program of organisational rightsizing, aligning our resources to our strategy and aggressively removing costs that will not drive value growth.

We removed over 140 full-time equivalent roles from our global structure, primarily from the corporate, supply chain and support functions. This represented a reduction of 7% in total headcount and total staff costs. A portion of these savings has been reinvested in a number of high calibre customer facing and D&D roles, to address capability gaps that were critical in terms of our ability to execute our strategy.

As previously noted, normalised SMG&A costs have also fallen, and we will continue to rigorously control costs over the coming period.

Our organisational culture initiatives are also building momentum, with aligned KPOs driving a performance focus across the business. Our staff are fully aware of the need for cultural change, the urgency required and the importance of delivering on our commitments. We have a very capable and committed team at Aristocrat, and while encouraged by the early signs of progress we are under no illusions about the work ahead.

AGENDA - OUTLOOK SLIDE

As we've consistently said, we expect another tough year in 2010 and our business will continue to focus on building for the long term. I'll now summarise our expectations for our key markets in 2010.

OUTLOOK 2010 SLIDE

In North America, we expect a slight improvement in the replacement cycle that will, however, be more than offset by lower expansions. Aristocrat will continue to build on our 2009 momentum in this market, and focus on growing our gaming operations base on the back of planned new product releases.

In Australia, we expect the market to remain flat with increasing competition through 2010. We will accelerate the implementation of our strategy, and make the significant changes still required to build a world-class business model in Australia. We will continue our work to improve our pipeline of strong game releases.

We expect the Japanese market, which saw significant decline last year, to be flat in 2010 in the absence of significant regulatory changes. We will continue to execute our transformation strategy to plan, focusing in particular on integrating our recent acquisition and building our pipeline of key licensed games. As we have flagged



previously, while a number of game releases are planned for 2010 in Japan, we are scheduled to release only one key licensed title during the year.

We also flag the potential adverse impact on reported profit of sustained strength in the Australian dollar through 2010, as well as the increased funding costs associated with the Convertible Bonds litigation.

There will certainly be opportunities through the year, and we will pursue these aggressively and in a focused way, but we are not expecting broader growth in the key global markets before 2011.

AGENDA - QUESTIONS SLIDE

Last August I detailed our strategy to turnaround our performance and achieve sustainable value growth over the medium term. We made important progress in the second half, and we are pleased to be on track and seeing some early, positive signs of progress coming through. However, we are barely 6 months into a 3-5 year turnaround program and we have a lot of work ahead to embed the improvements we're making across the business and turn them into sustainable top-line momentum.

2010 is going to be a year of accelerating the implementation of our strategy, amid tough and turbulent market conditions across the world. Our operational performance will continue to be impacted by these macro factors. We will, however, maintain our focus on the things within our control: improving our fundamentals and positioning Aristocrat to take full advantage of opportunities as they arise, and as conditions improve.

That concludes the formal presentation, I am happy to invite any questions.

Thank you.