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In 2010, we entered the difficult middle period in our five year turnaround program, while dealing with the overhang of legacy issues such as the convertible bonds litigation and an entrenched decline in Australian game performance. Weak economic conditions and currency headwinds prevailed, and fast-shifting demand in Australia and Japan exacerbated our lack of competitiveness in those key markets. Importantly, the most difficult year in our turnaround is now behind us, with a number of encouraging signs emerging.

The progress we achieved in those markets and segments where new products were launched over the course of the year validated both our strategy and our ability to execute effectively. Our sustained dominance in the dynamic markets of Macau and Singapore is one example, built fundamentally on the market-leading performance of our games. Likewise, our impressive US 2010 share result was largely due to the release of our innovative widescreen products *Viridian WS™* and *Viridian Slant Vij™*. In 2010, these products achieved an average price premium well ahead of our standard product – a particularly strong result in a contracting and intensely competitive market.

The availability of new product developed in line with our strategy was the key determinant of operational performance over the year. In markets such as Asia Pacific and North America, strong new product releases drove positive performance and gathering momentum. In Australia and Japan, where new product was still under development and not yet available for release, revenues were very poor. In response, Aristocrat accelerated implementation of its strategy throughout 2010 to drive sustainable change.

In particular, the business sharpened its singular focus on product, training all efforts to ensure we deliver better and more competitive products in each of our core markets and segments in future, while further reducing costs. Value-adding capability was bolstered, particularly in the areas of technology and innovation, which was fast-tracked and leveraged across our portfolio during 2010. Product pipelines were progressively improved and encouraging progress – in the form of stronger and more competitive games – began to appear in North America, our highest priority market, late in the fourth quarter.

While the extent and impact of these changes may not be visible in our top-line results for 2010, they underpin the improvements we expect to see in 2011, and the step-change in performance momentum we plan to deliver through the final phase of our turnaround through to full year 2013.

The creation of an Emerging Businesses and Strategy function during the year will help position Aristocrat to identify and fully leverage emerging global opportunities, for example in the growing video lottery terminal, online and European street markets.

### Looking ahead

We expect overall global market conditions will continue to be subdued throughout 2011, with constrained operator spend and limited new openings fuelling generally slow replacement cycles and intense competition among manufacturers. Aristocrat's performance for the year is expected to be substantially weighted to the second half, due to the timing of game releases in North America and Japan, and gathering momentum behind new releases in Australia.

By the end of 2011, we will have targeted portfolios in all key markets that contain a critical mass of exciting new products, developed to suit local tastes and leveraging significantly better technology as set out in our strategy. Over the course of 2011, we expect to see mounting evidence of better games and stronger product portfolios delivering real value for the business, whether that's improvement in average prices, higher fee per day results, stronger share numbers or healthier margins.

Moreover, we want to ensure this progress is sustainable and reflects a fundamental lift in our ability to compete effectively. As I said at the outset of our turnaround, we are focused on sustainable growth – not one-off benefits.

While significant market growth is unlikely to manifest before 2012, Aristocrat will be well positioned and ready to take advantage of any broader economic recovery. I want to stress, however, that we plan to grow regardless. Our strategy is built around competing aggressively and effectively, not simply waiting for a rising tide. This is ultimately the only way to deliver sustainable profit growth and fulfill the commitments we have made to our owners and other stakeholders, commitments we now reiterate and confirm.

I look forward to updating you on our progress.

**Jamie Odell**

# STEP CHANGE IN COMPETITIVENESS

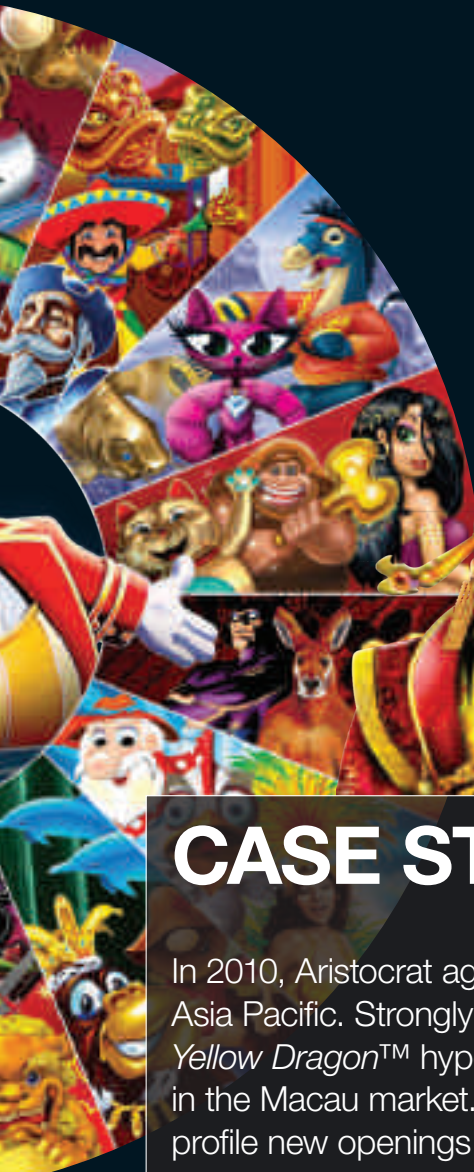


## CASE STUDY

The Global Gaming Expo or G2E is the largest and most significant gaming trade event in the world. G2E 2010 was a key milestone for Aristocrat, as we showcased our most extensive, exciting and competitive game releases in recent memory to an enthusiastic customer response.

Many key titles launched at G2E represented the first output of our new games strategy and capability. Titles such as *Godard's Rockin' Olives™*, *Tarzan™* and *Mission Impossible™* are all on our sleek new VERVE hd™ cabinet, which includes our advanced Gen7X™ platform. This delivers a host of game-play enhancements, including true high definition graphics, 3D digital sound, interactive edge lighting and our industry-leading full LCD button deck.

Aristocrat's latest release games are already achieving a significantly higher average fee per day than legacy product. This demonstrates the step-change in game quality we are beginning to bring to market in North America.



## CASE STUDY

In 2010, Aristocrat again outperformed in the growth markets of Asia Pacific. Strongly performing games such as the *Fa Fa Fa*<sup>™</sup> and *Yellow Dragon*<sup>™</sup> hyperlinks<sup>™</sup> helped to consolidate our leading position in the Macau market. Aristocrat also secured a dominant share of high profile new openings in Singapore over the course of 2010.

Aristocrat has achieved this by executing our strategy, that is, by tailoring our games to the needs of local operators and players, leveraging exciting new technologies and ensuring they are as competitive as possible. Our success in this region reinforces our confidence in our broader turnaround plan and our ability to execute effectively.



## NORTH AMERICA

### In brief

- Difficult economic conditions, market contracted further
- Revenue and profit down
- Outright sales share and average selling price increased due to new product innovation
- Gaming operations value share flat, footprint down due to timing of new product releases
- Systems revenues down with fewer new openings, new modules developed to reduce reliance on expansions

### Market context

The North American gaming market is comprised of the US, Canada and the Caribbean. Across these markets, gaming is offered in a variety of venues including commercial casinos, First Nation casinos and racetracks. The overall market landscape consists of about 960,000 electronic gaming machines (EGMs), as well as video lottery terminals. Aristocrat is a leading supplier of casino-style gaming products and systems across this region.

Earlier this decade, Aristocrat was the first to introduce stand-alone low-denomination video-reel product in North America. We are now focused on utilising the latest technology and player insights to further enhance our video gaming portfolio. Gaming operations is a growing and strategically important part of our overall business. It comprises over 6,400 Aristocrat-owned products where casino operators place the machines for a fee-per-day or a percentage of gaming revenue.

Aristocrat is also a major systems provider with over 260 casino properties in the US now utilising the OASIS 360™ casino management system.

### Segment report

Building our share and profitability in the North American market remains critical to our turnaround. Performance in this region was again impacted by poor economic conditions, which drove weak operator capital spend and a further fall in new venue openings.

Revenue decreased 7.9% to US\$296.8 million, mainly driven by lower sales volumes in a contracting market and a smaller contribution from gaming operations.

Profit declined US\$8.8 million (7.0%) compared to the prior corresponding period.

In outright sales, Aristocrat increased ship share and achieved a 2.6% increase in average selling price for the year, despite intense competitive pressure. This reflects the benefit of the stronger products and games developed in line with our strategy, specifically the new *Viridian WS™* and *Viridian Slant Vij™* products that achieved an average price premium of US\$1,000 compared to our standard product. Outright unit sales fell 7.3% compared to the prior period; however, the total market is estimated to have declined by 12%.

A fall in our gaming operations installed base was due to the ageing of our portfolio over the course of the year, as the majority of new product releases were released in the fourth quarter of the year. Encouragingly, however, Aristocrat's value share held flat, and we achieved our highest share result in the fourth quarter of 2010. This demonstrates the increasing momentum beginning to flow from stronger product releases. 2010 was the year in which our North American business transitioned between our legacy gaming operations portfolio and our new portfolio of tailored, innovative and compelling games and products that are now coming on stream in line with our strategy. The uneven gaming operations result for 2010 reflects this changeover.

Lower revenues in our systems business reflected the lack of new openings in 2010. However, Aristocrat maintained its customer base and market share. Throughout 2010 we continued to invest in developing our systems product to add functionality and optimise our existing customer base, thereby decreasing our reliance on new casino openings and expansions to drive revenues.



## JAPAN

### In brief

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- Pachislot market improved, but demand shifted and legacy products uncompetitive
  - Revenue and profit down
  - New licences and significant technology improvements developed for 2011
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### Market context

Japan is a major global gaming market, with over five million EGMs installed in amusement parlours around the country. Of these, around 1.2 million are pachislot machines, representing the market in which Aristocrat competes.

Aristocrat is a top 10 pachislot manufacturer by volume, and the business has a strong record of producing top-selling games such as *Kyojin-no-hoshi 2™*, *Tetsuya™* and *Maha Go Go Go 2™*. Our portfolio is built on five-reel machines, the use of strong character licences, and popular assist reply time (ART) games.

Pachislot manufacturers are licensed by the relevant trade association, the NDK. In 2010, Aristocrat acquired and integrated a second NDK licence holder, Spiky Inc, as part of its strategy to increase access to regulatory approval slots and bring stronger games to market more consistently.

### Segment report

While economic conditions in Japan remained soft, over the course of 2010 pachislot demand grew. However, Aristocrat did not benefit from this lift, as market demand shifted decisively towards premium licensed games that leverage exciting new technologies.

Revenue of ¥3.8 billion was achieved in 2010, representing a decline of 54.7% compared to the prior corresponding period, and unit volumes fell 52.0%. Profits slipped 69.4%, reflecting the significant revenue decline and the impact of a relatively fixed cost base.

The acquisition of the Spiky brand was bedded down during the second half of the year, improving our regulatory approval performance and reducing this potential constraint on the business. We also released our first Spiky game title, which was distributed under new arrangements with one of the largest distribution agents in the market. The title, *Mina™*, sold just under 3,000 units and performed to our sales expectations.

One key title, *Ma Ha™*, was released during the year but sold significantly fewer units than previous iterations.

The concentration of operator spend on the top four or five titles released during the year validates our strategy to generate sustainable returns in Japan by delivering bigger and better key licensed game titles to the market on a consistent basis. The business continued to implement this strategy throughout 2010, with a raft of improvements made to support game development capability and efficiency.



## REST OF WORLD

### In brief

- Held share across markets despite constrained conditions and increased competition
- Revenue up and profit up
- Increased platform sales, reflecting strong results in Asia Pacific, Europe and Latin America, partly offset by revenue declines in New Zealand and South Africa
- ACE business achieved significant expansion into Italian VLT market

### Market context and segment report

#### Asia Pacific

The Asia Pacific gaming market includes countries such as Macau, Singapore, Malaysia, Vietnam, the Philippines and Cambodia, and important segments such as cruise ships. Gaming is offered in small casinos and clubs as well as in large integrated resorts in places such as Macau and more recently Singapore. The total electronic gaming market comprises around 40,000 slot machines and multi-terminal gaming machines. Aristocrat is the market leader in the Asia Pacific region, providing a full range of casino-style gaming products and systems tailored to local preferences.

In 2010, Aristocrat again outperformed in the region, with revenues up 63.4% and profits up 58.2% in constant currency compared to corresponding 2009 results. Strongly performing games such as the *Fa Fa Fa*<sup>™</sup> and *Yellow Dragon*<sup>™</sup> hyperlinks<sup>™</sup> helped to consolidate our leading position in the Macau market. Aristocrat also secured a dominant share of high profile new openings in Singapore over the course of 2010.

#### Europe

The European gaming market is made up of over 40 countries, with gaming offered in commercial casinos, slot halls, arcades, pubs and clubs. The market is split between two major segments: around 170,000 gaming machines in casino and slot hall type venues (casino segment) and around 1.2 million machines in arcades, pubs and clubs (street segment).

Aristocrat provides casino-style video-based product to the casino market. Aristocrat also provides limited payout machines and content to the street markets in this region.

In 2009, total European revenues declined, reflecting lower operator capital budgets and fewer new openings during the period.

There is also a video lottery terminal (VLT) market in Europe. We compete in this market with our ACE Interactive VLT business.

In 2010, European revenues improved, and profits increased significantly, off the back of increased licensing of our content to the European street market segment. Our ACE business extended its presence in Europe, entering the Italian market and rolling out against the Cogetech contract late in the fourth quarter of 2010. Aristocrat is the first major class 3 gaming manufacturer to achieve approval from Italian regulators, on the strength of our proven TruServ<sup>™</sup> system and impressive game performance.



### **New Zealand**

The New Zealand market is made up of charitable trusts, clubs and casinos. In a unique environment, the charitable trusts place gaming machines in licensed venues. Aristocrat has operated in New Zealand for over 25 years, and has built a reputation for multi-link games that offer flexibility in venues where the number of machines is capped.

In 2010, the New Zealand business cycled over the one-off impact of regulatory reform that drove intensive capital spend in 2009. In constant currency, revenue and profits decreased 60.4% and 90.1% respectively as a result.

### **South Africa**

Thirty-four African countries have developed casino industries, led by South Africa with over 22,000 EGMs including slot and multi-terminal gaming machines. The South African market is dominated by four casino operators and is considered mature. It is comprised of two key segments: video slots and the limited payout market. Aristocrat has 26% of the casino market in South Africa, and we are the primary supplier to the limited payout market with an 85% market share in this important segment.

In 2010, constant currency revenues and profits in South America declined by 13.5% and 20.2% respectively compared to the prior corresponding period, reflecting depressed domestic conditions and highly constrained operator spend.

### **South America**

For reporting purposes, this region includes Central and South American countries as well as Mexico. Aristocrat provides gaming machines in nearly every major gaming jurisdiction in the region, with an expanding portfolio of Spanish game titles across a range of game styles including Multi Line, 50 Line, 100 Line, Reel Power™ and SAP.

In South America, revenues grew strongly in the second half of 2010, principally due to the establishment of an office in Mexico in the first half of 2010. In constant currency, revenue increased 26.5% in 2010 compared to the prior corresponding period, although profit was flat, because of costs associated with the expansion into Mexico and unfavourable mix shift.

# BOARD OF DIRECTORS



- 01 Ian D Blackburne
- 02 Jamie R Odell
- 03 David C P Banks
- 04 Roger A Davis
- 05 Rosalind V Dubs
- 06 Lewis (Kelly) Flock
- 07 Stephen W Morro
- 08 Sally A M Pitkin



# EXECUTIVE LEADERSHIP TEAM

- 01 Jamie Odell
- 02 Toni Korsanos
- 03 Trevor Croker
- 04 David Hughes
- 05 Warren Jowett
- 06 Nick Khin
- 07 Sam Nickless
- 08 Julius Patta
- 09 Tony Weston



**Jamie Odell**  
**Chief Executive Officer**  
**and Managing Director**

Jamie Odell was appointed Chief Executive Officer and Managing Director of Aristocrat Leisure Limited effective 1 February 2009. Jamie's appointment received regulatory approval on 13 May 2009.

Prior to his appointment, Jamie was Managing Director of Foster's in the Australian and Asia Pacific region, with responsibility for the sales and marketing of Foster's extensive portfolio of beer, wine, spirits and other alcoholic and non-alcoholic beverages. Before joining Foster's, Jamie was Regional Vice President (Asia Pacific) Allied Domecq Duty Free, responsible for sales through travel-related channels in Asia and Australasia. Jamie also held a number of roles with Allied Domecq, including Managing Director of URM Brands in the UK and Managing Director of Tetley Australia.

Jamie is the Special Director and Chairman of the Gaming Technologies Association Limited, the peak body representing Australia's gaming machine manufacturers.

Jamie holds an MBA from the University of Sussex, UK.

**Toni Korsanos**  
**Chief Financial Officer**  
**and Company Secretary**

Toni Korsanos was appointed Chief Financial Officer in July 2009, after joining Aristocrat in 2007 as General Manager, Group Finance.

Toni has almost 20 years' experience in financial and general management at leading companies including Kellogg's and Goodman Fielder Limited. Immediately prior to joining Aristocrat, Toni was Senior Commercial Finance Manager – Business Support at Kellogg's Australia/New Zealand. Toni also spent seven years with Coopers & Lybrand, Sydney in senior audit roles.

Toni holds a Bachelor of Economics (Accounting & Finance) from Macquarie University, and is a member of the Institute of Chartered Accountants.

**Trevor Croker**  
**Managing Director, Australia**  
**and New Zealand**

Trevor Croker joined Aristocrat as Managing Director, Australia and New Zealand in October 2009.

Trevor has significant experience building high-performance sales organisations, most recently as Sales Director of Carlton & United Breweries. Trevor has also held sales transformation and leadership roles within Foster's Australia and Beringer Blass Wine Estates, in addition to a number of regional sales management positions.

Trevor holds a Graduate Diploma in Management from the University of New South Wales and an Associate Diploma Sports Administration from Griffith University.

**David Hughes,**  
**Chief Supply Officer**

David Hughes was appointed Chief Supply Officer in December 2010.

David has performed a number of design and development, research and development, and supply chain leadership roles at Aristocrat since joining the business in 2001. As Chief Design and Development Officer, David was most recently responsible for establishing the Indian Development Centre, increasing creative content development in the US and introducing new product development processes at Aristocrat.

David has over 20 years' experience in operations, engineering and general management roles, including with BHP Steel and Metal Manufactures.

David holds a Bachelor in Electrical Engineering and an MBA from the University of Wollongong.

**Warren Jowett**  
**Managing Director,**  
**Japan and Asia Pacific**

Warren Jowett was appointed Managing Director EMEA, Asia Pacific and Japan in July 2009, having held a number of senior business leadership roles since joining Aristocrat in the mid 1980s.

Warren was appointed Executive General Manager of Aristocrat's Australian business operations in early 2002. In 2003 he also took on responsibility for the Asia Pacific region and the Australian Integration Centre. In 2008 Warren's role was expanded to include the Japanese region.

Warren has completed Executive Management studies at Macquarie University's Graduate School of Management.

**Nick Khin**  
**Aristocrat Americas and EMEA**

Nick Khin was appointed President, Aristocrat Americas in October 2008, having joined the business in 2002.

Nick was previously Executive General Manager of Aristocrat's Europe, Middle East & Africa region. Prior to joining the business, Nick held a number of senior finance positions at NCR Corporation based in The Netherlands and the UK, and AT&T in Europe and New Zealand.

Nick holds a Masters degree in Commerce (Hons), majoring in Accounting and Commercial law, from Auckland University.

**Sam Nickless**  
**Managing Director, Emerging**  
**Businesses and Strategy**

Sam Nickless was appointed Managing Director, Emerging Businesses and Strategy in December 2010.

As Business Transformation Director, Sam was recently responsible for leading strategic change programs at Aristocrat. He was previously at the National Australia Bank as General Manager of Strategy & Business Development and later General Manager, Cards & Personal Loans. Sam was also a partner of McKinsey & Company, where he spent 10 years in Australia and the US, working with clients across a broad range of industries.

Sam holds a Bachelor of Civil Law from Oxford University (Rhodes Scholar), as well as an LLB (Hons) and Bachelor of Economics from the University of Adelaide.

**Julius Patta**  
**Chief Technology Officer**

Julius Patta commenced as Chief Technology Officer in October 2009.

Julius has extensive hands-on experience in software engineering, game design and development and has led a number of leading edge gaming operations and technology businesses in North America, Australia and Europe. Immediately prior to joining Aristocrat, Julius was CEO of Slovenske Loterie and the gaming technology developer Tornado Systems.

Julius holds a Diploma in Financial Strategy and a Certificate of Management Studies from the Said School of Business, Oxford University. He has also completed the Advanced Management Program at Templeton College, Oxford University.

**Tony Weston**  
**Chief Human Resources Officer**

Tony Weston joined Aristocrat as Chief Human Resources Officer in July 2009.

Prior to his appointment at Aristocrat, Tony led HR for the major retailer Kmart, part of the Wesfarmers business. Tony has also held operational HR leadership roles in Foster's Group and Mayne Nickless. Tony has more than 20 years' experience across a number of industries, and has worked in the US and Australia.

Tony holds a Bachelor of Business (Human Resources Management) from the Royal Melbourne Institute of Technology.

# FIVE YEAR FINANCIAL SUMMARY

12 months ended 31 December:  
\$'000 (except where indicated)

	2010	2009	2008	2007	2006	
<b>Profit and loss items</b>						
Revenue <sup>1</sup>	<b>684,578</b>	908,648	1,079,902	1,121,969	1,074,534	
EBITDA <sup>2</sup>	<b>121,670</b>	212,733	253,171	368,693	366,707	
Depreciation and amortisation	<b>(36,911)</b>	(42,814)	(40,231)	(36,435)	(31,415)	
EBIT <sup>2</sup>	<b>84,759</b>	169,919	212,940	332,258	335,292	
Net interest expense	<b>(13,525)</b>	(13,909)	(19,826)	(6,027)	(2,364)	
Profit/(loss) before income tax expense <sup>2</sup>	<b>71,234</b>	156,010	193,114	326,231	332,928	
Income tax expense	<b>(16,107)</b>	(39,070)	(52,179)	(78,295)	(92,873)	
Profit after income tax expense <sup>2</sup>	<b>55,127</b>	116,940	140,935	247,936	240,055	
Non-controlling interests	<b>(557)</b>	(539)	(720)	(764)	(1,057)	
Net profit attributable to members of Aristocrat Leisure Limited <sup>2</sup>	<b>54,570</b>	116,401	140,215	247,172	238,998	
Abnormal items after tax	<b>22,624</b>	(274,239)	(39,008)	–	–	
Reported net profit/(loss) attributable to members of Aristocrat Leisure Limited	<b>77,194</b>	(157,838)	101,207	247,172	238,998	
Total dividend paid – parent entity only	<b>18,668</b>	78,587	266,146	182,827	149,947	
<b>Balance sheet items</b>						
Contributed equity	<b>187,625</b>	185,320	(67,298)	1,291	53,633	
Reserves	<b>(117,827)</b>	(92,013)	(28,762)	(101,635)	(85,131)	
Retained earnings	<b>120,083</b>	61,498	288,505	420,470	395,420	
Outside equity interest	<b>(2,009)</b>	(944)	(16)	675	1,047	
Total equity	<b>187,872</b>	153,861	192,429	320,801	364,969	
Cash and cash equivalents	<b>19,840</b>	59,045	106,243	80,618	123,496	
Other current assets	<b>311,122</b>	336,650	435,220	354,334	288,321	
Property, plant and equipment	<b>100,141</b>	120,459	150,776	103,004	117,846	
Intangible assets	<b>113,980</b>	118,547	154,420	128,212	146,392	
Other non-current assets	<b>163,826</b>	173,407	169,712	159,730	201,907	
Total assets	<b>708,909</b>	808,108	1,016,371	825,898	877,962	
Current payables and other liabilities	<b>155,991</b>	195,128	258,294	203,243	209,547	
Current borrowings	<b>7,000</b>	7,245	150,000	45,000	–	
Current tax liabilities and provisions	<b>15,053</b>	283,449	30,617	74,283	71,191	
Non-current borrowings	<b>298,662</b>	127,104	332,644	147,459	164,287	
Non-current provisions	<b>18,044</b>	18,632	25,121	18,008	20,039	
Other non-current liabilities	<b>26,287</b>	22,689	27,266	17,104	47,929	
Total liabilities	<b>521,037</b>	654,247	823,942	505,097	512,993	
Net assets	<b>187,872</b>	153,861	192,429	320,801	364,969	
<b>Other information</b>						
Employees at year end	Number	<b>2,181</b>	2,038	2,128	2,219	2,282
Return on Aristocrat shareholders' equity <sup>2</sup>	%	<b>29.0</b>	75.7	72.9	77.1	65.5
Basic earnings per share <sup>2</sup>	Cents	<b>10.3</b>	23.0	30.5	53.0	51.2
Net tangible assets per share	\$	<b>0.14</b>	0.07	0.08	0.41	0.47
Total dividends per share – ordinary	Cents	<b>5.0</b>	4.5	36.0	49.0	36.0
Dividend payout ratio <sup>2</sup>	%	<b>49</b>	20	118	93	71
Issued shares at year end	'000	<b>533,984</b>	533,379	455,330	464,296	467,713
Net (cash)/debt <sup>3</sup>	\$'000	<b>285,822</b>	75,304	376,401	111,841	40,791
Net cash (debt)/equity	%	<b>(152.1)</b>	(48.9)	(195.6)	(34.9)	(11.2)

1 Revenue as per segment information.

2 Before the impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group.

3 Current and non-current borrowings net of cash and cash equivalents.