



# Aristocrat Leisure Limited

Results for the 6 months ended  
30 June 2008

Chief Executive Officer  
& Managing Director  
**Paul Oneile**

Chief Financial Officer  
& Finance Director  
**Simon Kelly**



# Disclaimer

This document and any oral presentation accompanying it has been prepared in good faith. However, no express or implied warranty is given as to the accuracy or completeness of the information in this document or the accompanying presentation. All statutory representations and warranties are excluded, and any liability in negligence is excluded, in both cases to the fullest extent permitted by law. No responsibility is assumed for any reliance on this document or the accompanying presentation.

Without limiting the above, this document and any accompanying presentation may contain forward looking statements based on estimates, assumptions and expectations of the Company that, while used in good faith, necessarily involve (i) subjective judgments; (ii) inherent uncertainties; and (iii) significant contingencies, many of which are beyond the Company's control or reflect future business decisions which are subject to change. Therefore, there can be no assurance that the Company's actual or future results, or subsequent forecasts, will not vary significantly from such forward looking statements. Aristocrat does not assume any obligation to update any of the estimates, assumptions or expectations underlying such forward looking statements. Certain data included herein has been obtained from alternative external sources and as such may be inconsistent given differing underlying assumptions and sources.

Disclosures herein are not intended to be relied upon as advice to investors or potential investors and do not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.



**Paul Oneile**  
**Chief Executive Officer and**  
**Managing Director**



# Unfavourable impacts on results

## Internal factors

- *Viridian™ Gen7™* approval delays, perceptions of content library and operator reluctance to acquire Mk6 product underestimated
- Gap in innovation pipeline and delivery
- Lack of viable stepper

## External factors

- Replacement demand in Australia and North America
- Regulatory constraints on innovation
- Timing of new venue openings
- Overhang of product in Asia Pacific
- Strength of Australian dollar

**Simon Kelly**  
**Chief Financial Officer**  
**and Finance Director**

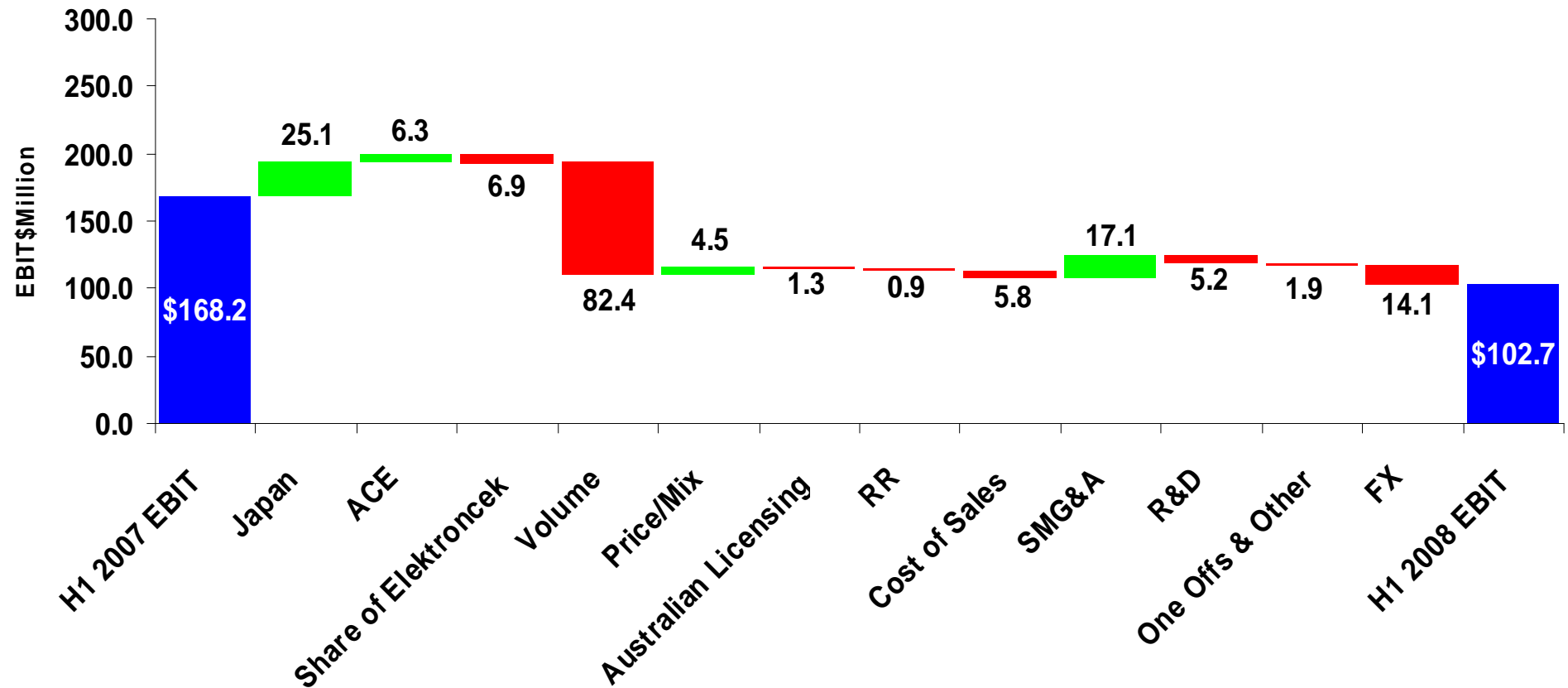
# Profit and Loss

	<b>Constant Currency H1 2008 \$Million</b>	<b>Reported H1 2008 \$Million</b>	<b>Reported H1 2007 \$Million</b>
<b>Total Revenue</b>	510.7	466.3	558.1
<b>Gross Margin</b>	54.6%	54.8%	59.0%
<b>SMG&amp;A</b>	107.3	101.0	117.1
<b>EBIT before R&amp;D</b>	177.2	160.1	222.1
<b>R&amp;D</b>	60.4	57.4	53.9
<b>Profit before Tax</b>	109.9	96.7	166.2
<b>Tax</b>	28.5	25.3	40.1
<b>Profit after Tax</b>	81.4	71.4	126.1
<b>Earnings Per Share (fully diluted)</b>	17.4c	15.2c	26.8c

# H1 2008 vs H1 2007

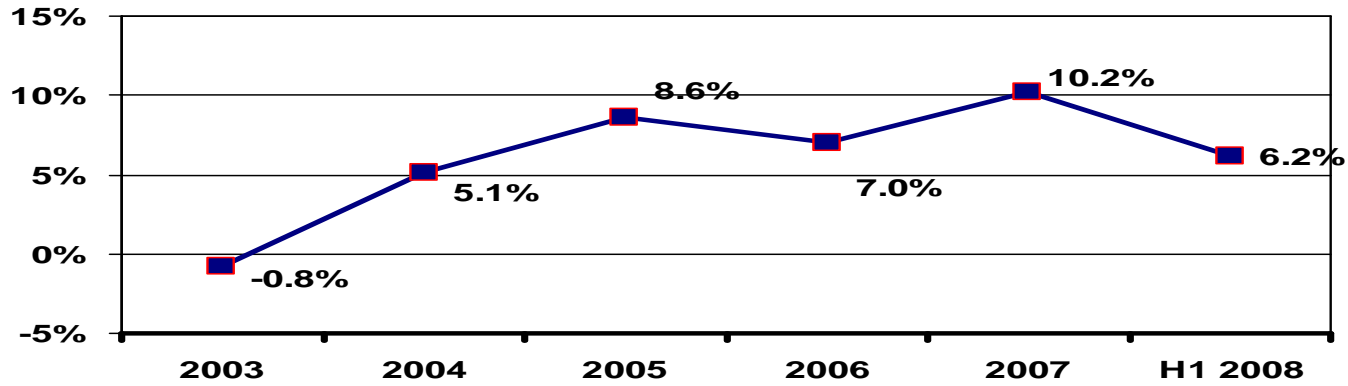
	<b>\$M</b>
<b>2007 H1 Reported PAT</b>	<b>126.1</b>
Asia Pac- New venue timing	(26.0)
Interest - capital management	(2.0)
FX impact	(10.0)
Effective tax rate differential	(3.4)
<b>2007 H1 Rebased PAT</b>	<b>84.7</b>
<b>2008 H1 Reported PAT</b>	<b>71.4</b>
Variance	(13.3)
	(15.7%)

# H1 2008 vs H1 2007 EBIT

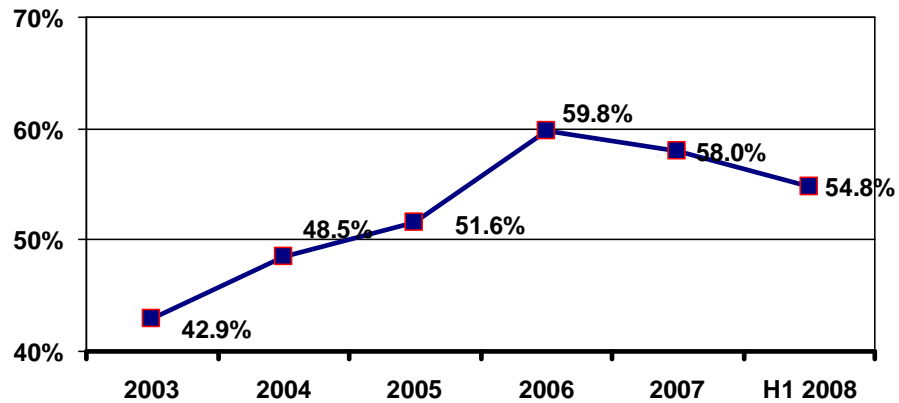


# 5 Year Trend Analysis

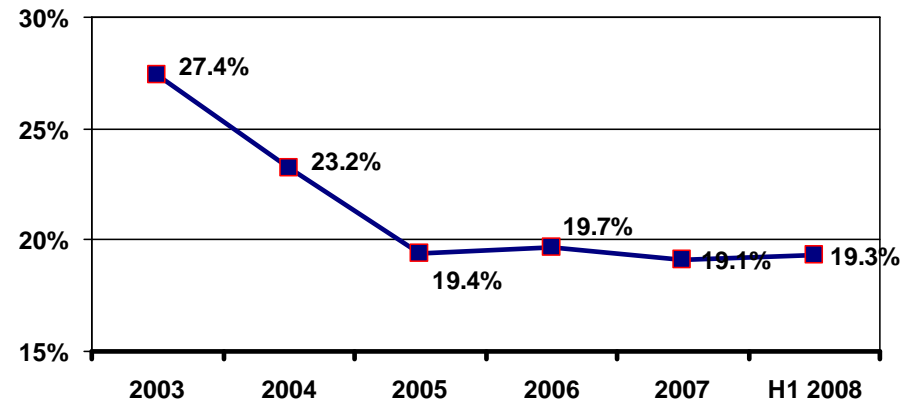
## WEIGHTED AVERAGE GLOBAL PRICING GROWTH <sup>(1) (2)</sup> - CAGR 7.6%



## GROSS MARGIN



## NET EXPENSES <sup>(3)</sup> / REVENUE

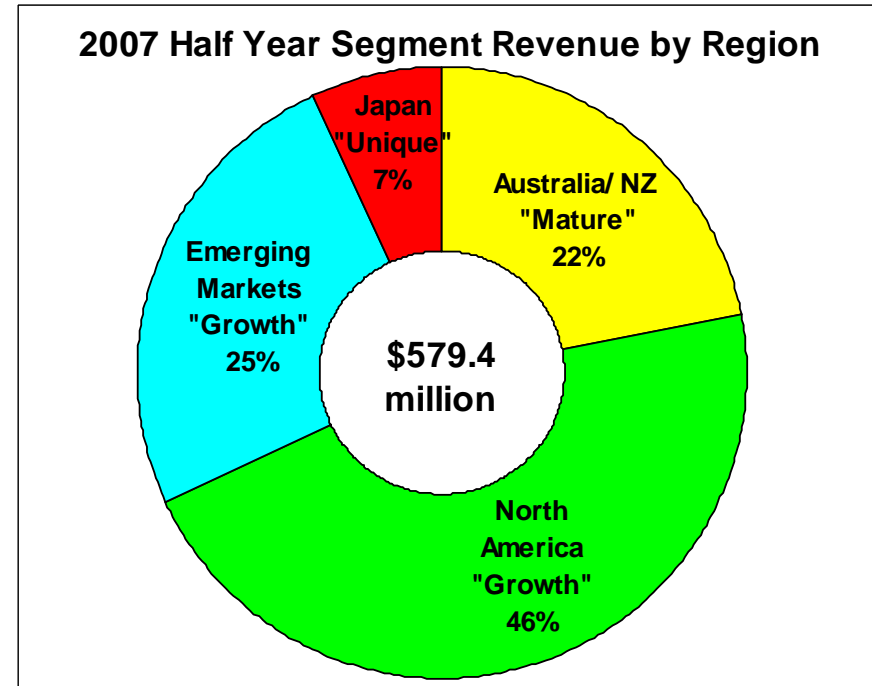
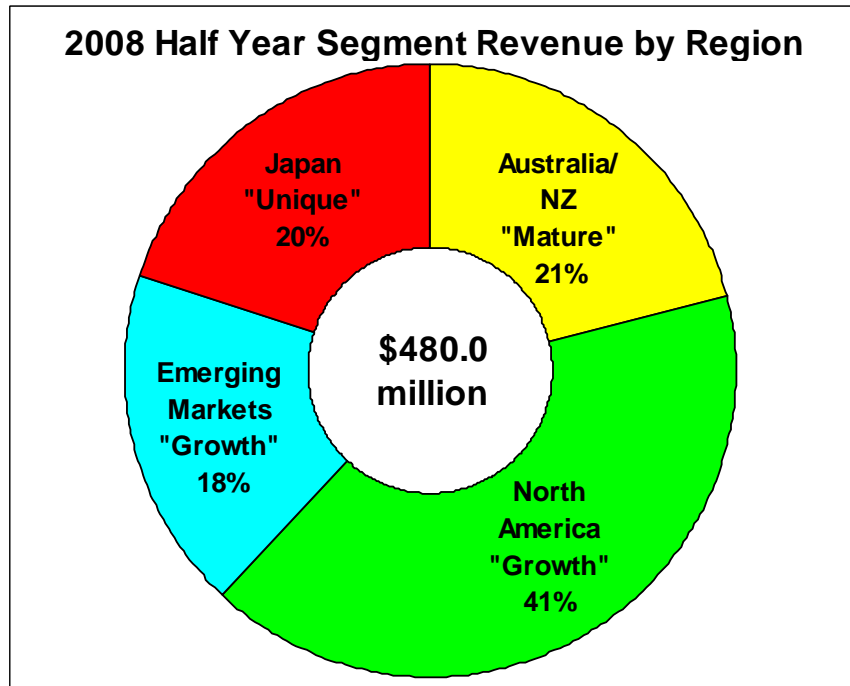


(1) Constant Currency - annualised

(2) Excludes Japan

(3) Excludes R&D

# Segment Revenue Split

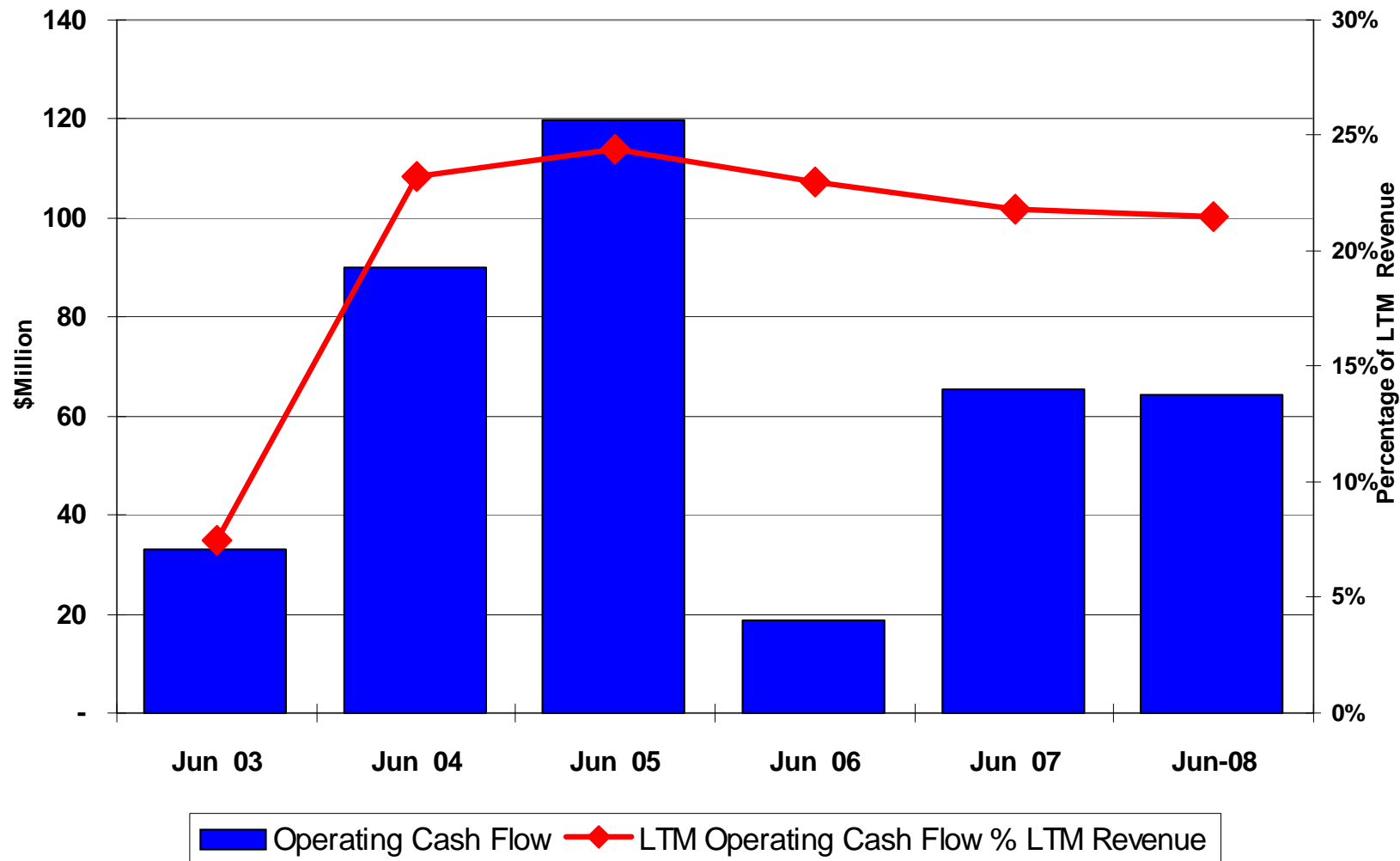


\* Revenue calculated on a Management basis – includes the Group's share of associate profits

# Cash Flow

	H1 2008 \$Million	H1 2007 \$Million
Net debt - opening balance	<b>(111.8)</b>	<b>(40.8)</b>
Operating cash flow	64.5	65.5
Investing cash flow	(6.1)	(28.1)
	58.4	37.4
Financing cash flow	1.9	2.1
Capital management initiatives	(226.1)	(182.0)
Movement in net debt	<b>(165.8)</b>	<b>(142.5)</b>
Effect of exchange rate changes on net debt	8.2	6.2
Net debt - closing balance	<b>(269.4)</b>	<b>(177.1)</b>

# Operating Cash Flow



# Capital Management

**Continue to execute in accordance with capital management strategy announced August 2007:**

- Ongoing flow of fully franked dividends to maintain a payout ratio of 60% – 70% over the medium term, subject to the Company's franking ability
- Ongoing supplementary unfranked dividends
- On-market share buyback program over a 3 - 5 year timeframe

# Capital Management

## H1 2008 Actions

- Supplementary unfranked dividends of 10 cps paid January and July 2008
- Interim dividend declared of 14 cps fully franked – unchanged
- Dividend Reinvestment Plan to operate with shares acquired on market
- On-market share buyback program commenced January 2008 with \$66.9 million spent to date
- Refinanced existing debt facilities with a new 3 year A\$1.065 billion debt and letter of credit facility

# Key Financials and Ratios

	H1 2008 \$Million	H1 2007 \$Million	FY 2007 \$Million
<b>EBIT before R&amp;D</b>	160.1	222.1	436.5
<b>EBIT</b>	102.7	168.2	332.3
<b>Working Capital/Revenue (%)</b>	14.6%	13.8%	12.1%
<b>Operating Cash Flow</b>	64.5	65.5	222.2
<b>Operating Cash Flow/Revenue (%)**</b>	21.5%	21.6%	19.8%
<b>Net Debt</b>	269.4	177.1	111.8
<b>Net Debt/EBITDA</b>	0.9X	0.5X	0.3X
<b>EBITDA/Interest Expense*</b>	22.3X	30.0X	29.0X
<b>Return on Equity**</b>	134.8%	84.2%	77.1%
<b>Fully Diluted EPS</b>	15.2c	26.8c	52.8c
<b>Fully Diluted Operating Cash Flow per Share</b>	13.9c	13.9c	47.4c

\* EBITDA represents Bank EBITDA which is inclusive of interest received

\*\* Calculated on last twelve months



# Segment Review

# Australia/New Zealand

Constant Currency <sup>^</sup>	H1 2008 \$Million	H1 2007 \$Million	Variance %
Revenue	102.2	127.7	(20.0)%
Profit	29.8	43.1	(30.9)%
Margin	29.2%	33.8%	(4.6)pts

<sup>^</sup> Adjusted for translational exchange rates using rates applying in H1 2007

## Australia

- Significant deterioration in market conditions
- Hardware sales down 40.5%, conversions up 9.9%
- Share of installed base static at 67%
- Aristocrat hardware replacement cycle – annualised 40 years
- Early success with licencing model and *Viridian*<sup>™</sup> *Gen 7*<sup>™</sup>

## New Zealand

- Restrictive regulatory environment, in gradual decline
- Revenue and profit growth driven by mandated PID upgrades

# H2 2008 and Outlook

## Australia/New Zealand

### KEY DRIVERS IN H2

- *Viridian™ Gen 7™* in NSW – full half contribution, performance and increasing game library to drive sales
- Improving sentiment following anniversary of smoking restrictions
- PID upgrade requirements to drive sales in New Zealand

### OUTLOOK 2009+

- Full jurisdictional approval of *Viridian™ Gen 7™*
- Stabilisation and progressive improvement in replacement cycle
- Benefits of new go to market models – licencing/rental
- Share maintenance
- Improvements in New Zealand to continue through mid 2009

# North America

Constant Currency <sup>^</sup>	H1 2008 \$Million	H1 2007 \$Million	Variance %
Revenue	223.3	264.5	(15.6)%
Profit	90.0	112.3	(19.9)%
Margin	40.3%	42.5%	(2.2)pts

<sup>^</sup> Adjusted for translational exchange rates using rates applying in H1 2007

- 31% reduction in unit sales to 5,252, software sales increased 20.4%
- Significant slow down in replacement cycle – estimated at c18 years
- Average price growth of 5.1%
- Broadly flat recurring revenue installed base, revenue down to USD40/day
- Decline in replacement share due to non-availability of *Viridian*<sup>™</sup> *Gen 7*<sup>™</sup>
- Video share maintained in new openings/expansions
- Systems revenue flat – competitiveness and share maintained

# H2 2008 and Outlook

## North America

### KEY DRIVERS IN H2

- *Viridian™ Gen 7™* to drive sales based on unrestricted approval across all key jurisdictions, performance and game library
- Replacement demand and new venue openings/expansions
- Lease/rental contracts
- Pricing – ongoing benefit of improved average prices
- *Oasis™* and *Sentinel III™* pipeline conversion

### OUTLOOK 2009+

- Full year availability of *Viridian™ Gen 7™*
- Launch of *Viridian™ RFX™* stepper
- Strong innovation pipeline to drive recurring revenue/outright sales
- Positive price momentum
- Flat cost structures

# Japan

<b>Constant Currency<sup>^</sup></b>	<b>H1 2008 \$Million</b>	<b>H1 2007 \$Million</b>	<b>Variance %</b>
<b>Revenue</b>	<b>97.5</b>	<b>39.9</b>	<b>+144.4%</b>
<b>Profit</b>	<b>28.1</b>	<b>3.0</b>	<b>+836.7%</b>
<b>Margin</b>	<b>28.8%</b>	<b>7.5%</b>	<b>+21.3pts</b>

<sup>^</sup> Adjusted for translational exchange rates using rates applying in H1 2007

- Overall size of pachislot market and demand continues to decline
- 32,280 units sold vs 11,063 in pcp - 3 games released
- Solid Yen gross margin/unit
- Margin improvement driven by fixed cost leverage and lack of significant inventory provisioning
- 4 further games approved, 4 in development/regulatory approval process

# H2 2008 and Outlook Japan

## KEY DRIVERS IN H2

- Success of key game release
- 2 support game releases
- Leverage of Regulation 5 track record
- Gross margin expansion
- Introduction of OEM supply capability

## OUTLOOK 2009+

- Gradual improvement in market sentiment towards pachislot
- Stabilisation of market size/demand - gradual slow pick up
- Launch of further key title/theme
- Contribution from OEM supply to reduce earnings volatility
- Stable gross margin, flat costs

# Consolidated Other Markets

Constant Currency <sup>^</sup>	H1 2008 \$Million	H1 2007 \$Million	Variance %
Revenue	101.2	147.3	(31.3)%
Profit	29.8	50.2	(40.6)%
Margin	29.4%	34.1%	(4.6)pts

<sup>^</sup> Adjusted for translational exchange rates using rates applying in H1 2007

- Macau results impacted by timing of venue openings/machine overhang
- European sales affected by smoking restrictions
- *Viridian*<sup>™</sup> *Gen 7*<sup>™</sup> general Europe release - June
- Strong sales growth in South Africa (+40%) and South America (+249%)
- Stable/growing regional market positions
- Timing of venue openings impacted Elektroncek results
- Initial revenues from ACE business – breakeven for the half

# H2 2008 and Outlook

## Consolidated Other Markets

### KEY DRIVERS IN H2

- *Viridian™ Gen 7™* rollout across Europe
- Successful launch of Spanish arcade style games
- South American pipeline conversion
- Elektroncek Asia/Europe demand
- Norsk Tipping “go live” and rollout

### OUTLOOK 2009+

- Solid pipeline of opportunities as regional expansions take place
- Stable/growing regional shares
- Results subject to fluctuation based on timing of venue openings
- Norsk Tipping reference site to drive VLT demand
- Initial trials/contribution from ACE Class III, *TruServ™*



**VIRIDIION**  
DESIGNED TO PERFORM

**SLEEKER**

Slim line cabinet – Designed to Perform

**BETTER**

Operator and Player Focused Design

**GREENER**

Environmentally Responsible Design



**GEN7**  
THE POWER BEHIND THE PERFORMANCE

**SMARTER**

Smart modular design

**FUTURE**

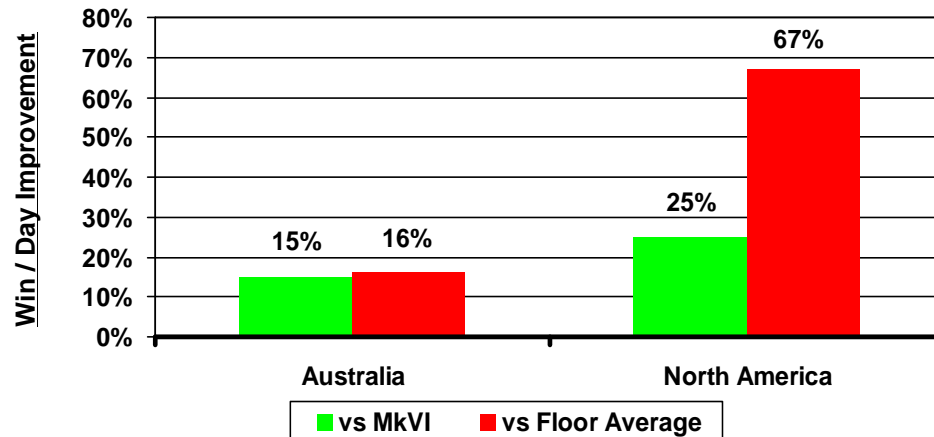
Technology for Today and Tomorrow

Downloadable & Server based ready



# Viridian™ Gen7™ Performance

## AVERAGE PERFORMANCE IMPROVEMENT



Current Games approved:

Australia > 20

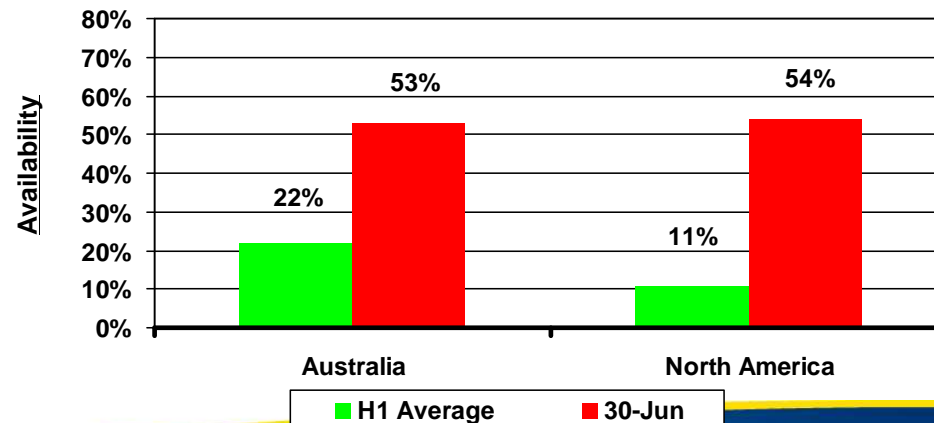
US > 60

Current Units in field:

Australia 1,000

US 3,000

## AVAILABILITY <sup>(1)</sup>



First half sales represented cumulative 24% of total platforms (excl. Japan)

Progressive approval of remaining jurisdictions over next 9 – 12 months

(1) Represents percentage of installed base into which Viridian was available for sale

# Key Short Term Priorities

- *Viridian™ Gen7™* – approvals, content, performance in key markets
- Improvement in North American business performance
- Successful launch of key game in Japan
- Delivery of key innovation projects to support 2009+ growth
- Launch of *Viridian™ RFX™* stepper at G2E, Sale Q1 2009
- Licencing/rental model in Australia
- Norsk Tipping “go live”
- ACE Class III *TruServ™* GLI approval and trials
- Maintaining business fundamentals

# Questions