



ARISTOCRAT ANNOUNCES 2010 HALF-YEAR PROFIT AND PROGRESS IN TRANSFORMATION PROGRAMME

Sydney, 24 August 2010

Aristocrat Leisure Limited (ASX: ALL) today announced its half-year results for the period ended 30 June 2010, together with progress on the Group's turnaround strategy.

The Group has reported a profit after tax and non-controlling interest for the half of \$49.3 million, compared to a loss of \$33.4 million reported in the prior corresponding period. The Group delivered a normalised operating result after tax and non-controlling interest of \$36.6 million for the period, ahead of market consensus¹ but behind the prior corresponding period result of \$44.0 million.

As indicated at the Annual General Meeting, currency fluctuations had a significant impact on reported results for the half. On a normalised, constant currency basis, the operating result for the period was \$44.3 million, slightly higher than the equivalent prior corresponding period result of \$44.0 million.

Reported results included an abnormal profit after tax of \$12.7 million recognised on the disposal of the Group's investment in Elektronček d.d. The divestment of the Elektronček stake is aligned with the Group's strategy to exit non-core businesses and to focus resources on its core business of video and stepper reel games and systems. The transaction has been recognised pending expected regulatory approval in the second half, at which time the proceeds from the divestment will be received.

In line with the Group's expectations, global market conditions were challenging across all core markets during the first half of 2010. Operators continued to be highly cautious about capital expenditure and there were limited expansion and new venue opportunities during the reporting period.

Operational performance varied across the Group's key markets, with a solid and encouraging result in North America and poor results in Japan and Australia. This reflects the generally difficult market conditions and the priority given to unlocking the largest value opportunities in the North American market. As anticipated, key markets are therefore at different stages in terms of their performance and turnaround trajectory.

The Group continues to take a prudent approach to balance sheet management, with conservative debt ratios and debt levels well within those expected for companies with an investment grade credit rating. Net debt reduced to \$49.0 million from \$75.3 million at 31 December 2009, driven by continued strong operating cash flows.

Chief Executive Officer and Managing Director of Aristocrat, Mr Jamie Odell, said "As we anticipated, conditions across most markets during the first half of 2010 have been very difficult and have impacted our operational performance. While we do not expect conditions to improve in the second half of this year, we anticipate performance to be weighted to the second half.

"We reiterate our commitment to continue to energetically and systematically address the things within our control that will boost our competitiveness and profitability as macroeconomic conditions improve.

¹ Compared to the average of \$33.2 million based on half-year consensus estimates for the Group issued as at 23 August 2010.

“During the first half of 2010, we have bedded down a host of fundamental improvements to systems, structures, capability and culture that will generate top line momentum in each of our key markets within our 3-5 year turnaround horizon. We continue to expect that progress against our strategic objectives will be faster in North America than other key markets.

“While it’s early days, we can already point to concrete progress. In North America, our most significant value opportunity, we are gaining share and building momentum on the back of more exciting and better performing games that are built specifically for that market. We are leveraging player and customer insights, and leading-edge technology, to add value and propel steady growth in our gaming operations footprint and profitability.

“One year into our 3-5 year turnaround journey, the Aristocrat team is more singularly focused on the job ahead than ever before. We have clear plans, the capability to deliver and a determination to make good on our commitments,” Mr Odell concluded.

Segment Summary

In North America and Australia, markets continued to contract compared to the prior corresponding period, while in Japan, growth in pachislot demand seen during the first half of 2010 is not expected to be sustained over the balance of the year.

In North America, Aristocrat grew ship share on the back of an improving product portfolio and value-adding innovation built specifically to suit the player and customer demands of that market. Due to lower market activity, platform volumes were down 5.3% compared to the first half of 2009. Despite the decline in platform volumes, local currency profitability improved 5.5% to US\$66.8 million and margins improved 3.4 percentage points to 41.8%. This was driven by a greater contribution from gaming operations to the overall result and a 1.8% increase in average selling price while also reducing costs.

In Australia, revenue declined 22.3% to \$69.6 million and profit declined by 45.9% compared to the prior corresponding period, primarily driven by lower game conversions. Platform unit sales were marginally ahead of the prior period, when adjusted for *Indian Dreaming™* units revoked in 2009. The Australian business continues to work through a number of legacy issues including an inadequate games pipeline, and a front-end operation that needs to significantly improve.

The Japan business delivered a loss for the half of ¥198.8 million, with revenue down 57.7% compared to the prior corresponding period. Consistent with the prior year, the result was largely driven by the lack of a key licensed game release during the reporting period. Significant cost reduction and efficiency benefits were captured during the half, lowering reported losses.

In the Rest of World segment, on a constant currency basis, revenue for the period was \$97.7 million compared to \$103.3 million with profit marginally ahead at \$34.1 million compared to \$33.7 million in the first half of 2009. The Group held share across the segment, and outperformed in key Asia-Pacific growth markets. This result reflected our ongoing success in the Macau market and our significant share of sales into new casino openings in Singapore. Strong results in Asia-Pacific and Europe were offset by weak results in New Zealand, where prior period results were boosted by one-off regulatory reform.

Turnaround Strategy Update

One year into the Group’s 3-5 year plan to turnaround performance and achieve sustainable profit growth, Aristocrat has made solid progress. Tangible improvements in our largest market, North America, are a particularly positive sign, but we expect that progress across key markets will occur at different rates, according to the nature of the issues and the priority of the relevant market opportunity. We will continue to take a value-led, market-by-market approach to return the whole of our business to a sustainable growth path within our turnaround horizon.

During the half, work has focused in particular around the five opportunities previously identified as key to the Group’s transformation. These are: doubling Aristocrat’s value share of the gaming operations market in North America by 2014, closing the gap between Aristocrat’s outright ship share and installed base in Australia, better managing volatility in Japan, building a world-class product development capability and a world-class organisation to help achieve the first four goals in full and on time.

North America

Aristocrat's share of the total North American outright sales market is one percentage point ahead of our December 2009 result and we have gained two percentage points since we announced our strategy in August 2009. This is a positive outcome in a market that has contracted over the same period. During the half, as well as growing ship share, Aristocrat's average selling price increased 1.8% due to stronger game performance and exciting product innovation built specifically to suit the North American market, principally the *VIRIDIAN WS™*, which has generated strong sales and is performing well in the field.

The recent release of Aristocrat's first high definition product, *VERVE hd™* is the first output of our investment in additional creative and technology resources in North America, with a focus on further strengthening gaming operations. It has been developed with extensive market insights and customer feedback, and its early traction is a positive sign that we are developing the capability required to execute our strategy in North America.

An impressive pipeline of new gaming operations titles is also due to be released in the fourth quarter of 2010.

Focus continued on adding value and functionality to the Group's systems offer to further improve its competitiveness in a flat market. Aristocrat is continuing to attract new customers to its *Oasis 360™* product, reaching a new record of 268 customers at 30 June 2010. We will continue to build our systems offering and position the business for further growth as the market recovers.

We are also making progress in building our stepper business. Game and platform development was our focus during the half, along with substantial investments in improving our stepper technology. The successful release of our first stepper gaming operations product was an important milestone.

Australia

Aristocrat's ship share in the Australian market fell marginally during the reporting period, principally due to poor *Gen7™* game performance in New South Wales (NSW) and a lack of new product in Queensland (QLD). However, total Australian ship share for the 12 months ended 30 June 2010 improved, primarily as a result of an increase in sales into Victoria and a marginally improved share performance in NSW, partially offset by a decline in QLD.

Aristocrat is focused on stabilising performance in Australia and growing ship share towards our installed base within our 3-5 year turnaround horizon. Significantly improving our Australian games portfolio and the effectiveness of our sales and marketing model are complex issues that will take time to fully address.

A range of improvement initiatives were implemented during the half, including the integration of the insights function into the new product development process, the establishment of a games studio focused solely on meeting the needs of the Australian market and the reallocation of routine systems and platform work from Australian creative studios to the Indian Development Centre. These steps build on the recent restructuring of our sales and marketing business, significant leadership renewal and overhaul of key business processes implemented over the past 12 months.

At the recent Australasian Gaming Expo in Sydney, Aristocrat showcased some exciting new titles including *Rose Tattoo™* with positive customer feedback. In the second half of 2010 we will build on these advances, and accelerate our focus on improving the quality of our Australian games portfolio in a challenging market.

Japan

Reducing performance volatility in Japan will take time, as we put in place the structures and investments that will enable us to fully stock a compelling, licensed games pipeline. We maintain our commitment to the goal of consistently delivering 2 key licensed titles, and achieving over 50,000 unit sales per annum, within our 3-5 year turnaround window.

During the first half of 2010, we implemented a range of capacity-building measures representing important steps forward, including the integration of a small acquisition that provided a second NDK membership, and the signing of a distribution agreement with one of Japan's largest distribution agents. In addition, the development of a comprehensive strong licensed games roadmap, the acquisition and development of further licenses, the commissioning of an additional creative studio in Japan and further investment in management capability were delivered to plan.

Market demand is shifting more quickly than anticipated towards key licensed game titles rather than in-house developed and smaller licensed titles. This confirms that our strategy is sound. We will accelerate our effort over the coming period to ensure Aristocrat can extract maximum benefit from this trend as it unfolds.

World Class Product Development

During the reporting period, substantial progress was 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. Many of the fundamentals in terms of product development strategy, systems, structure and culture have been introduced and are being bedded down, particularly in our key markets.

During the half, we increased our investment in design and development, with additional resources placed into video, stepper and platform development teams in North and Latin America. In addition, we have invested in dedicated creative studios focused on meeting the needs of Australian and Japanese customers and boosted our investment in value-adding technology, innovation and platform development.

Early benefits from these investments are evident, with more tailored and successful products in North America.

We expect this to accelerate as pipelines are stocked and brought to market through the second half of 2010 in North America and the second half of 2011 in Australia and Japan.

We will also continue to pursue value-adding opportunities and invest in business development and further improving our VLT offering.

World Class Organisation

During the first half of 2010, we further reduced overhead spend by 6.0% on a normalised basis and invested these savings against our strategy – particularly increased design and development capability. We also improved our strategic pricing competence, and continued to refine our structures and processes to support the execution of the strategy.

The divestment of the Group's share in the Elektronček business was aligned with our strategy to exit non-core businesses.

Our organisational culture initiatives continue to build momentum, with aligned KPOs driving a performance focus across the business along with increased cross-functional collaboration.

Dividends

The directors have authorised an interim dividend in respect of the half-year of 3.5 cents per share, representing a payout ratio at the lower end of our 50%-70% target payout ratio range. The Board considers that this decision is prudent in the context of the current market environment, the Group's overall performance as well as taking into account any pending damages payments which may be made in the second half following receipt of final judgements in the convertible bonds litigation.

The interim dividend will be unfranked and is expected to be declared and paid on 30 September 2010. The Dividend Reinvestment Plan (DRP) will remain active in respect of this dividend (for shareholders resident in Australia and New Zealand), with no discount applicable. The DRP terms can be found in the Investor Information Section of the Company's website (www.aristocratgaming.com/dividend.aspx).

The record date will be 5.00 pm on 9 September 2010. Any shareholder who wishes to participate in the DRP or to change their current participation in the DRP must lodge an application or variation notice on or before 5.00 pm on 9 September 2010 to the Company's share registry Registries Limited. The price for shares issued pursuant to the DRP will be calculated by reference to the average of the daily volume weighted average market price over a period of five trading days commencing on 10 September 2010 (the day after the record date).

Summary Results

\$ million	Constant currency [^]			Variance vs HY 2009	
	HY2010	HY 2010	HY 2009	Constant currency [^]	Actual
Normalised results *					
Total revenue from ordinary activities	396.5	340.5	441.7	(10.2)%	(22.9)%
Earnings before interest and tax	59.9	49.6	69.6	(13.9)%	(28.7)%
Profit after tax and non-controlling interest	44.3	36.6	44.0	0.7%	(16.8)%
Fully diluted earnings per share	8.3	6.9	9.1	(8.8)%	(24.2)%
Total dividends per share	3.5	3.5	4.5	(22.2)%	(22.2)%
Reported results					
Profit / (loss) after tax and non-controlling interest	57.0	49.3	(33.4)	nm	nm
Balance sheet / Cash flow					
Operating cash flow *	92.9	77.4	74.7	24.4%	3.6%
Fully diluted cash flow per share *	17.4	14.6	15.4	13.0%	(5.2)%
Closing net debt	52.9	49.0	111.5	52.6%	56.1%

[^] Adjusted for translational exchange rates using rates applying in 2009

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

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Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Group is licensed by over 200 regulators and its products and services are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines, interactive video terminal systems and casino management systems. For further information visit the Group's website at www.aristocratgaming.com.