



# Aristocrat Leisure Limited

Results for the year ended  
31 December 2007

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

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



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

# Summary of Results

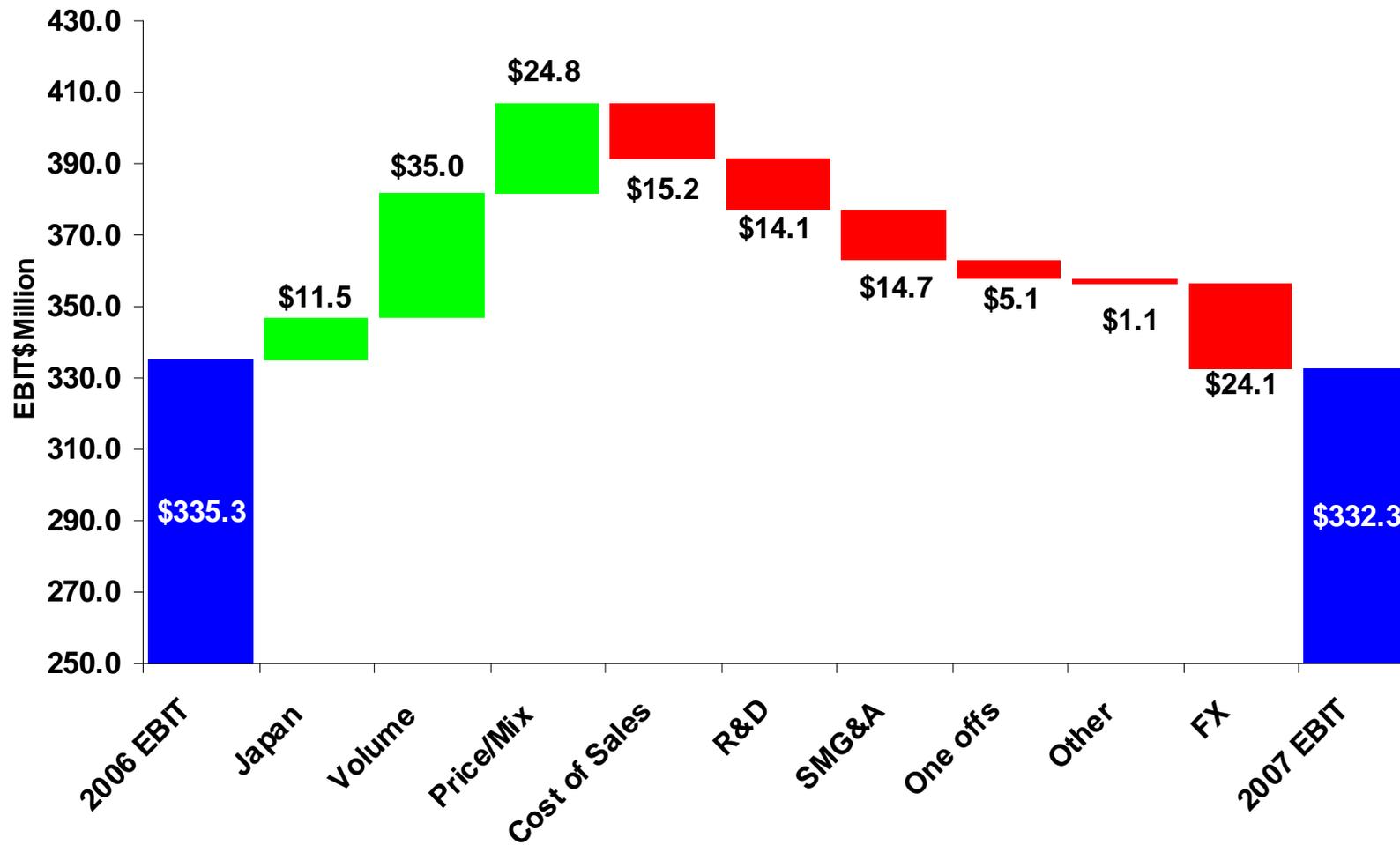
- **Total Revenue \$1,122 million – up 4.4%**
- **Profit after Tax \$247.2 million – up 3.4%**
- **Underlying constant currency profit growth – up 11.1%**
- **Investment in research and development – up 9.5%**
- **Strong underlying operating cash of \$222.2 million – up 8.5%**
- **Total dividends of 49c – up 36.1%**
- **Diluted Earnings Per Share of 52.8c – up 3.7%**

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

# Profit and Loss

	<b>Constant Currency 2007 \$Million</b>	<b>Reported 2007 \$Million</b>	<b>Reported 2006 \$Million</b>
<b>Total Revenue</b>	1,203.2	1,122.0	1,074.5
<b>Gross Margin</b>	57.4%	58.0%	59.8%
<b>SMG&amp;A</b>	248.7	238.7	221.1
<b>EBIT before R&amp;D</b>	466.0	436.5	430.5
<b>R&amp;D</b>	109.6	104.2	95.2
<b>Profit before Tax</b>	350.3	326.2	332.9
<b>Tax</b>	84.0	78.3	92.8
<b>Profit after Tax</b>	266.3	247.9	240.1
<b>Earnings Per Share (fully diluted)</b>	56.7c	52.8c	50.9c

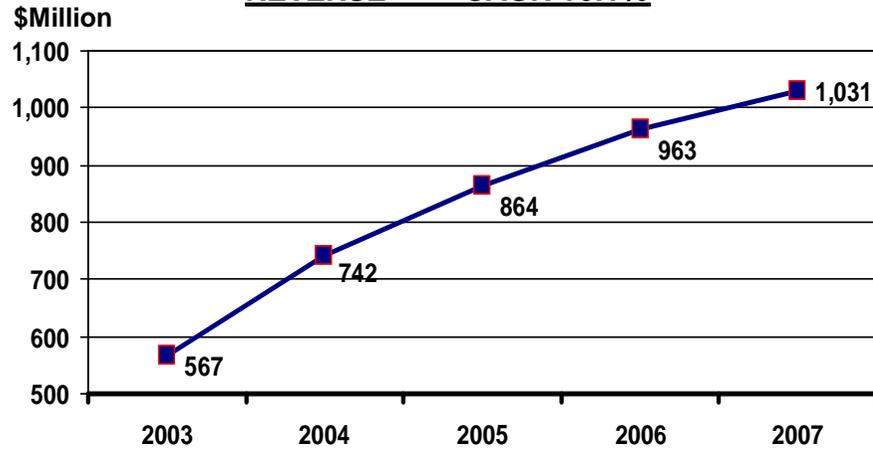
# FY 2007 vs FY 2006 EBIT



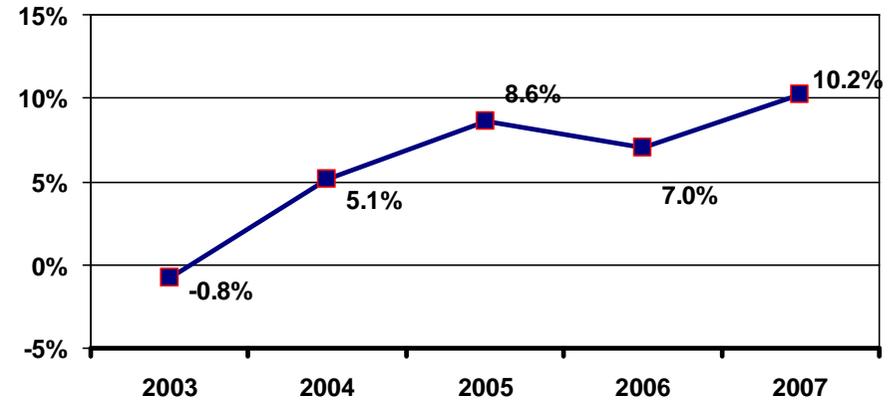
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# 5 Year Trend Analysis

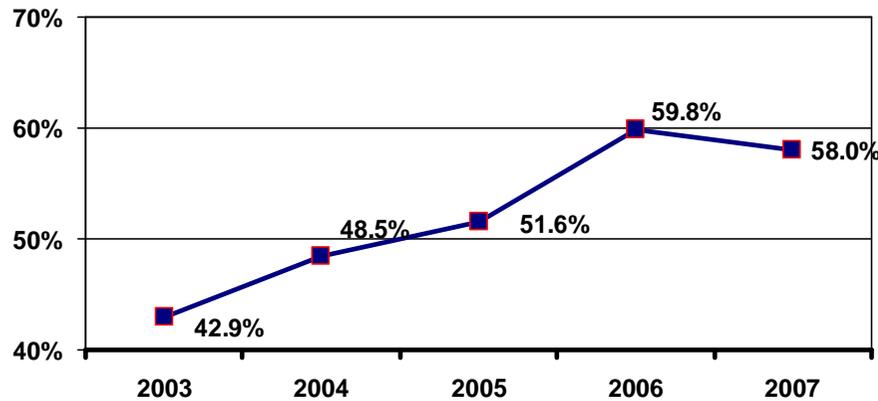
**REVENUE <sup>(1) (2)</sup> - CAGR 16.1%**



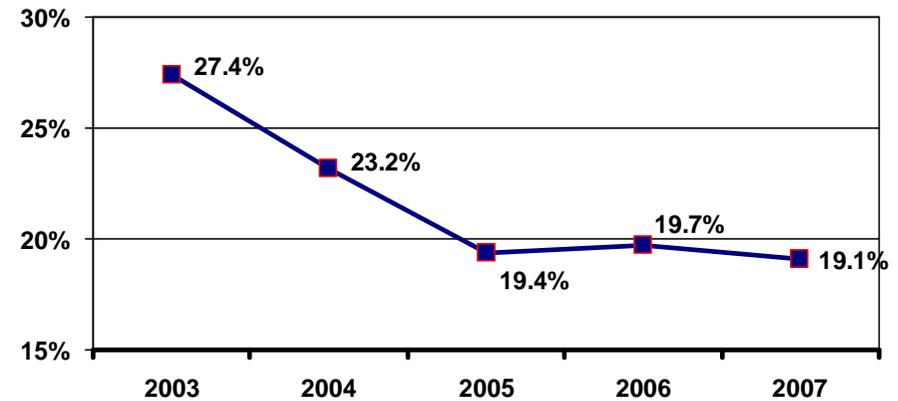
**WEIGHTED AVERAGE GLOBAL PRICING GROWTH <sup>(1) (2)</sup> - CAGR 7.7%**



**GROSS MARGIN**



**NET EXPENSES <sup>(3)</sup> / EBIT**



(1) Constant Currency

(2) Excludes Japan

(3) Excludes R&D

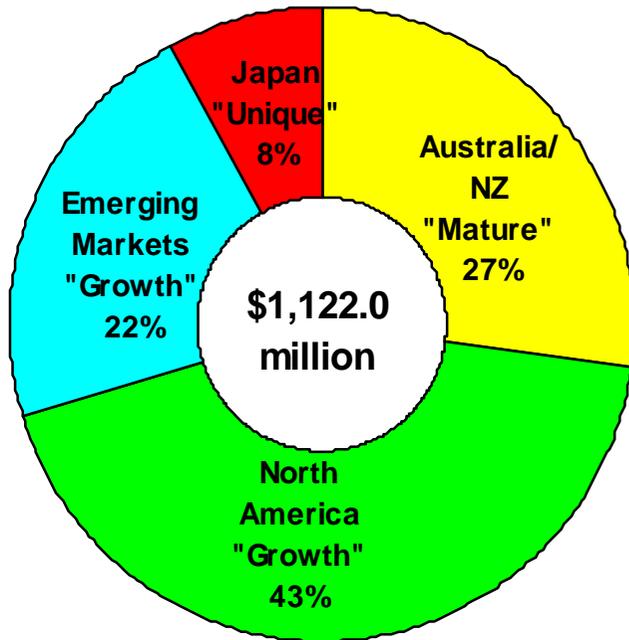


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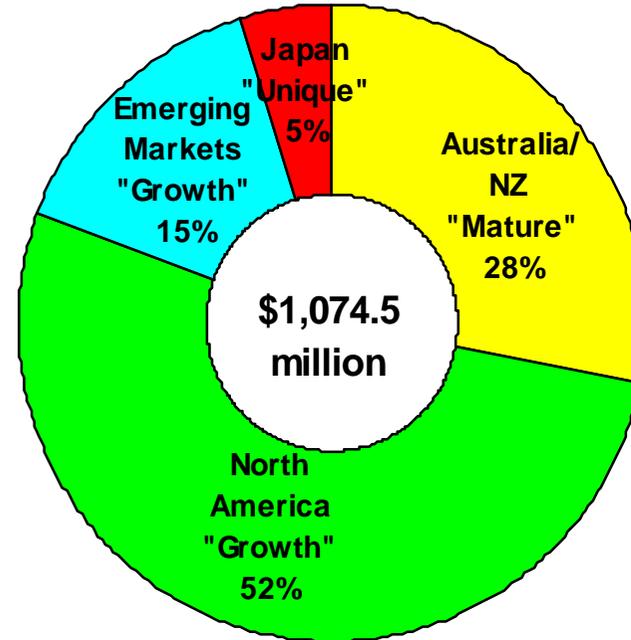
# Segment Revenue Split

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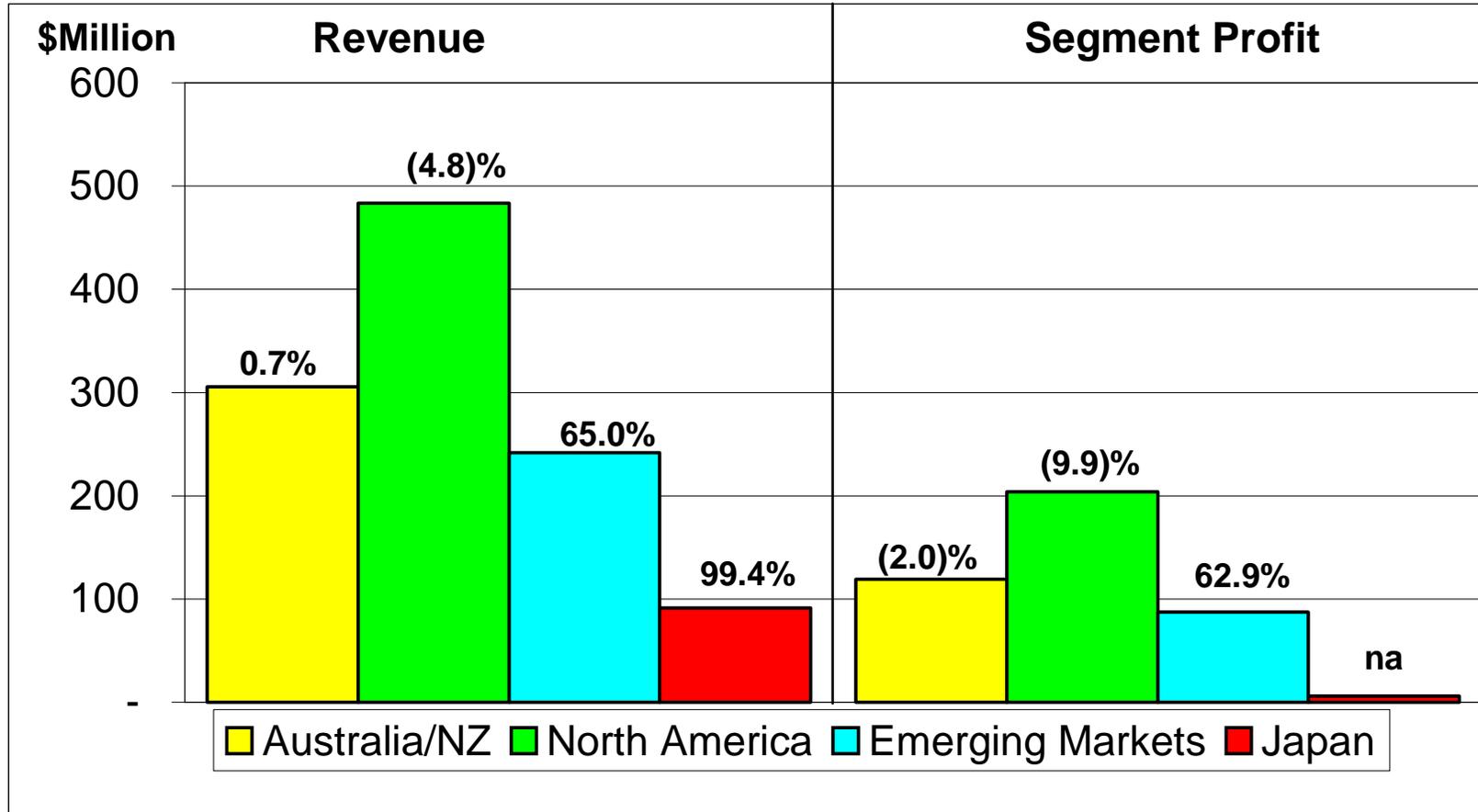
2007 Segment Revenue by region



2006 Segment Revenue by region



# Business Segmentation



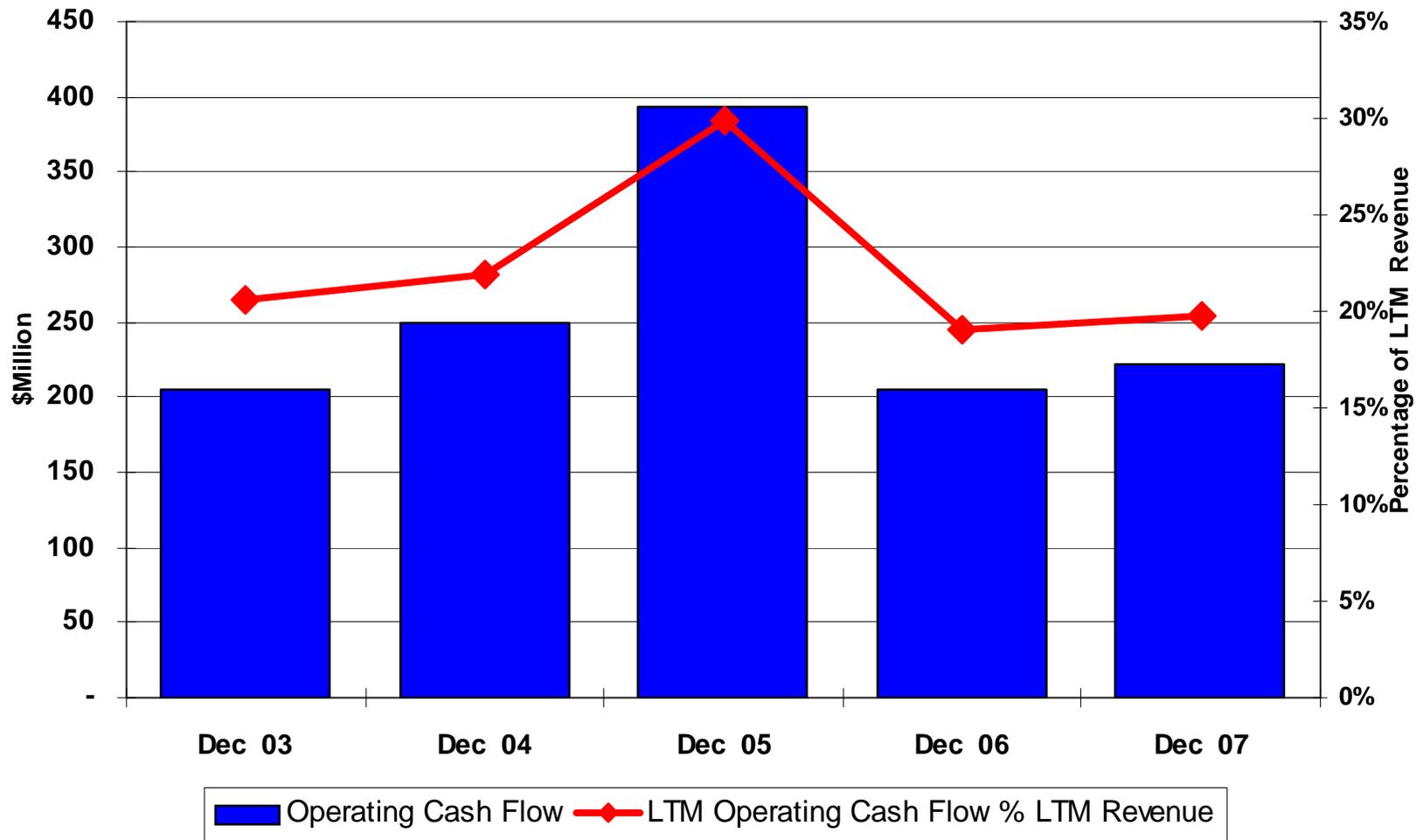
\*Percentage represents change vs prior corresponding period on a constant currency basis

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# Cash Flow

	<b>2007</b>	<b>2006</b>
	<b>\$Million</b>	<b>\$Million</b>
<b>Net (debt)/cash - opening balance</b>	<b>(40.8)</b>	<b>183.7</b>
<b>Operating cash flow</b>	222.2	204.8
<b>Investing cash flow</b>	(55.3)	(189.6)
	166.9	15.2
<b>Financing activities cash flow</b>	4.0	6.3
<b>Capital management initiatives</b>	(253.0)	(245.7)
<b>Movement in net (debt)/cash</b>	(82.1)	(224.2)
<b>Effect of exchange rate changes on net debt</b>	11.1	(0.3)
<b>Net debt - closing balance</b>	<b>(111.8)</b>	<b>(40.8)</b>

# Operating Cash Flow

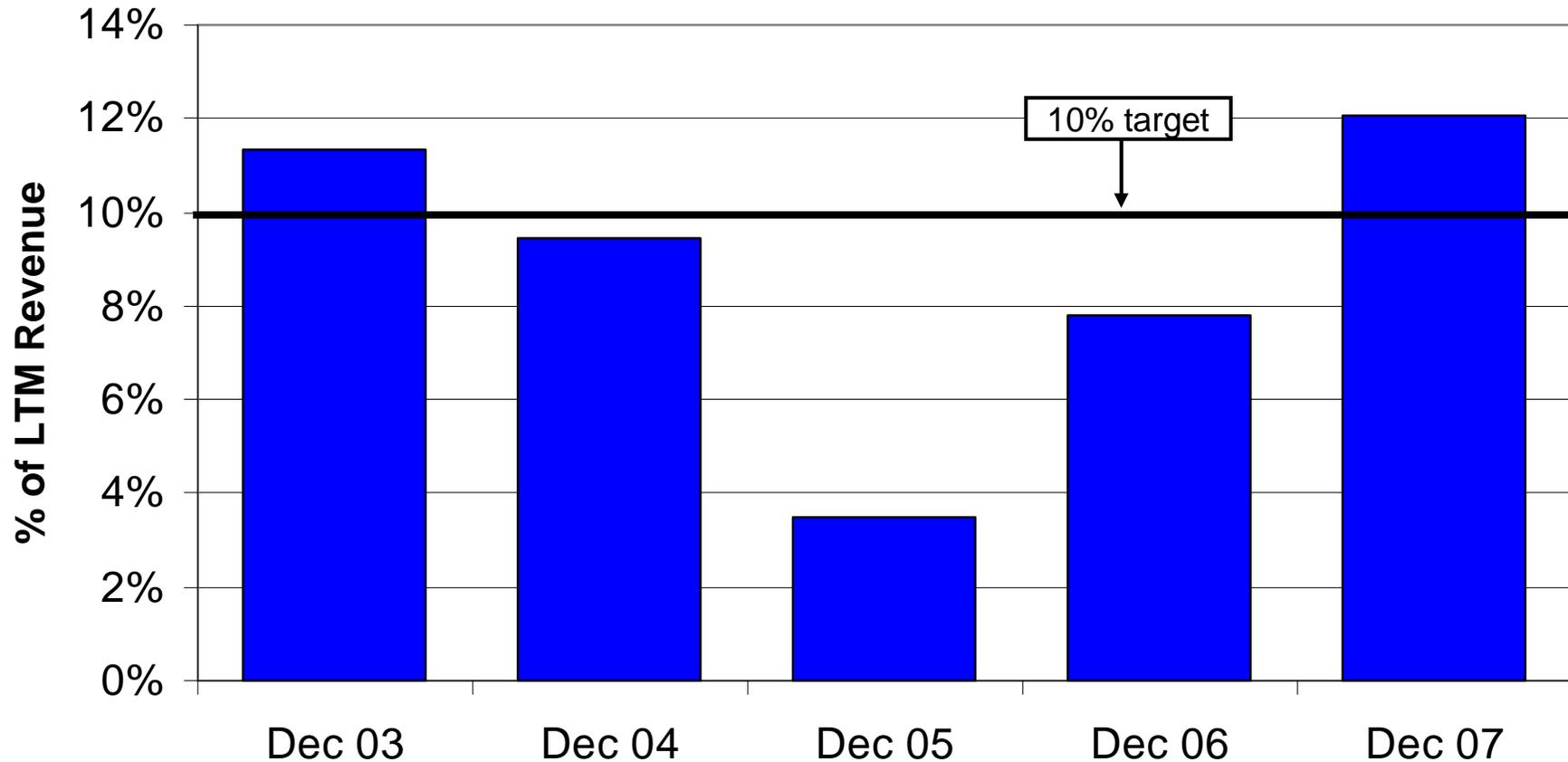


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# Working Capital

Net Working Capital - % of Last 12 Months Revenue



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# Capital Management

## 2007 Initiatives:

- Completed second on-market share buyback
- Acquired 3.4 million shares taking total buyback to \$200 million
- 1.2 million shares acquired via trust structure for employee share based contingent obligations (95% of obligations covered)

## Next Phase Announced August 2007:

- Ongoing flow of fully franked dividends to approximate 60% – 70% of annual earnings, subject to the Company's franking ability
- Ongoing supplementary un-franked dividends totaling 20 cps/annum
- On-market share buyback program of up to \$100 million/annum over a 3 - 5 year timeframe

# Capital Management

## Current Status:

- Inaugural supplementary unfranked dividend of 10 cps paid January 2008
- 2007 fully franked dividends of 39 cps declared – 74% payout ratio
- Franking outlook remains positive
- Dividend Reinvestment Plan to operate with shares acquired on market
- On-market share buyback program commenced January 2008 with 1.7 million shares acquired to date (\$16.5 million)
- Refinanced existing debt facilities with a new 3 year A\$1.065 billion debt and letter of credit facility

# Key Financials and Ratios

	<b>2007</b>	<b>2006</b>
	<b>\$Million</b>	<b>\$Million</b>
<b>EBIT before R&amp;D</b>	<b>436.5</b>	<b>430.5</b>
<b>EBIT</b>	<b>332.3</b>	<b>335.3</b>
<b>Working Capital/Revenue (%)</b>	<b>12.1%</b>	<b>7.7%</b>
<b>Operating Cash Flow</b>	<b>222.2</b>	<b>204.8</b>
<b>Operating Cash Flow/Revenue (%)</b>	<b>19.8%</b>	<b>19.1%</b>
<b>Net Debt</b>	<b>111.8</b>	<b>40.8</b>
<b>Debt/EBITDA*</b>	<b>0.5X</b>	<b>0.4X</b>
<b>EBITDA*/Interest Expense</b>	<b>29.0X</b>	<b>28.3X</b>
<b>Return on Equity</b>	<b>77.1%</b>	<b>65.5%</b>
<b>Fully Diluted EPS</b>	<b>52.8c</b>	<b>50.9c</b>
<b>Fully Diluted Operating Cash Flow per Share</b>	<b>47.4c</b>	<b>43.6c</b>

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

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# Segment Review



# Australia/New Zealand

Constant Currency <sup>^</sup>	2007 \$Million	2006 \$Million	Variance %
Revenue	304.8	302.8	+0.7%
Profit	118.8	121.2	(1.9)%
Margin	39.0%	40.0%	(1.0)pts

<sup>^</sup> Adjusted for translational exchange rates using rates applying in 2006

- Australian unit sales down 11.6%, average pricing up
- Difficult market conditions:
  - smoking restrictions diverting capital spend to infrastructure
  - increased club taxation rates
  - delay in approval of Ticket-in Ticket-out technology
- New Zealand sales down 7.1% as market remained tight:
  - limited by operator deferral of new product purchases
  - grandfathering of more “player friendly” games
  - continuing decline of venue numbers and installed base

# Initiatives and Outlook Australia/New Zealand

## **STRATEGIES**

- Focus on innovative premium products
- Development of recurring revenue model
- Ongoing business efficiency and cost reduction

## **OUTLOOK**

- Positive feedback on *Viridian*<sup>™</sup> cabinet and *Gen 7*<sup>™</sup>
- Continuing market leadership
- Progressive improvement in Australia
- Well placed to secure improvements in market demand
- Improvements in New Zealand expected in 2008 through mid 2009

# North America

<b>Constant Currency<sup>^</sup></b>	<b>2007</b>	<b>2006</b>	<b>Variance</b>
	<b>\$Million</b>	<b>\$Million</b>	<b>%</b>
<b>Revenue</b>	<b>538.2</b>	<b>565.2</b>	<b>(4.8)%</b>
<b>Profit</b>	<b>227.4</b>	<b>252.4</b>	<b>(9.9)%</b>
<b>Margin</b>	<b>42.3%</b>	<b>44.7%</b>	<b>(2.4)pts</b>

<sup>^</sup> Adjusted for translational exchange rates using rates applying in 2006

- Margin decline reflects mix, recurring revenue margins and fixed cost base
- Lower overall market volumes – low in replacement cycle, no new Jurisdictions, adverse stepper vs video mix
- 22.6% reduction in unit sales to 13,807, video market share maintained
- Maintained 40% share of all new video sales
- 5-reel stepper re-launched
- Recurring revenue unit installed base up 1,012 units (15.7%) to 7,473 units
- Systems revenue up 8.2% to USD38.2 million

# Initiatives and Outlook North America

## STRATEGIES

- Strong premium product performance
- Out performing stepper proposition
- New jurisdictions and expansion of existing markets
- Growing recurring revenue base
- Systems competitive positioning
- Investment in new technologies - downloadable, server-based

## OUTLOOK

- Increased market demand – mainly new jurisdictions
- Positive feedback on *Viridian*<sup>™</sup> cabinet and *Gen 7*<sup>™</sup>
- Positive price momentum

# Japan

<b>Constant Currency<sup>^</sup></b>	<b>2007</b>	<b>2006</b>	<b>Variance</b>
	<b>\$Million</b>	<b>\$Million</b>	<b>%</b>
<b>Revenue</b>	<b>100.5</b>	<b>50.4</b>	<b>+99.4%</b>
<b>Profit</b>	<b>5.9</b>	<b>(5.6)</b>	<b>na</b>
<b>Margin</b>	<b>5.9%</b>	<b>na</b>	<b>na</b>

<sup>^</sup> Adjusted for translational exchange rates using rates applying in 2006

- Revenue increased 99.4%, restored profitability
- Variable margins maintained despite aggressive price discounting
- Inventory provision for surplus Regulation 4 parts - \$8.3 million
- Seven Regulation 5 games marketed
- 29,843 units sold vs 12,043
- Improving sentiment since Regulation 5 transition completed October 2007

# Initiatives and Outlook Japan

## **STRATEGIES**

- Proven strong game titles in 2008
- Strong pipeline of further games in development
- 3 games approved, 7 currently in progress
- Independent supply chain capability in use
- Casino style gaming potential

## **OUTLOOK**

- Short term results continue to be dependent on game approvals
- Positive change in operator sentiment visible/heightened interest
- Margins stable
- Increasing confidence in both immediate outlook and longer term prospects

# Other Markets

<b>Constant Currency<sup>^</sup></b>	<b>2007</b> \$Million	<b>2006</b> \$Million	<b>Variance</b> %
<b>Revenue</b>	<b>298.5</b>	<b>191.4</b>	<b>+56.0%</b>
<b>Profit</b>	<b>94.3</b>	<b>57.9</b>	<b>+62.9%</b>
<b>Margin</b>	<b>31.6%</b>	<b>30.3%</b>	<b>+1.3pts</b>

<sup>^</sup> Adjusted for translational exchange rates using rates applying in 2006

- Strong underlying growth in emerging markets:
  - Asia-Pacific (+107%), Europe (+174%)
  - South Africa (+49%), South America (+39%)
- Leading and growing position in Macau
- Expansion in other parts of Asia Pacific
- Strong Elektroncek growth in Europe and Asia
- ACE start-up

# Initiatives and Outlook Other Markets

## **STRATEGIES**

- 40% share of new markets
- Infrastructure/resources in place in key locations
- Tailored business model
- Lower risk

## **OUTLOOK**

- Strong growth – solid pipeline of opportunities
- Dependent on timing of new market openings

# Growth Opportunities

		2008	2009	2010	2011
<b>Platform</b>	- Launch of Viridian and Gen 7	■	■	■	■
<b>Australia</b>	- Replacement cycle - Software/licencing model	■	■	■	■
<b>Americas</b>	- Replacement cycle - Stepper - video migration - 5 reel stepper - New markets, Class II, III, VLT - Recurring revenue - Conversions - South America - Mexico	■	■	■	■
<b>Japan</b>	- Regulation 5 - Class III casinos	■	■	■	■
<b>Europe</b>	- Russia - Other regional expansion	■	■	■	■
<b>Asia</b>	- Macau - Singapore - Other regional expansion	■	■	■	■
<b>Electronic Tables</b>	- Interblock - PokerTek	■	■	■	■
<b>Server Based</b>	- Interactive Video Terminals - Class III	■	■	■	■

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# Outlook

## 2008 – outlook improving

- Regulatory and market developments over the last 4-5 months have provided positive momentum for 2008
- Business fundamentals of improved pricing, cost leverage and strong cash flows remain intact
- Key factors influencing overall result:
  - size of the North American video market
  - continuation of positive sentiment in Japan
  - successful global rollout of *Viridian™* cabinet and *Gen7™* platform
  - foreign exchange rates

## 2009 and beyond - strong growth potential

- Catalysts for next step in gaming expansion are in place
- Strong growth potential as global gaming markets open up and new technologies are brought to market