Aristocrat Leisure Limited
2009 Annual General Meeting

Chairman's address – Mr David Simpson

Good morning

For those who are not aware, this morning we announced a 275 million dollar capital raising this morning.

Key reasons for the capital raising include strengthening our balance sheet, improving our credit metrics to support our current BBB- investment grade credit rating and provide additional debt facility headroom. This also provides financial flexibility to take advantage of strategic opportunities as they arise.

The capital raising has been structured to allow all shareholders to participate in what is an important step by the company to secure our future and I encourage you to participate in it.

As this capital raising is currently ongoing, I will not be commenting further, and will be dealing with the business that is the subject of this meeting.

As I said to you in the letter which accompanied the Notice of Meeting, 2008 was another challenging year with the gaming industry continuing to experience the difficult conditions that prevailed in 2007. The general deterioration of global economic and market conditions already have, and will likely continue to extend these difficult times beyond our original expectations.

Compounding this effect, was the slow roll out and approval of the new *Viridian*™ cabinet and *Gen7*™ platform and the library of new games essential to their performance. While difficult market and economic conditions are expected to continue throughout 2009, the Company should benefit from their greater availability and an increasing library of new games in key jurisdictions for much of the year.

Turning to the results for the year, net profit after tax and minorities before one-off items of $140.3 million, represents a 43.2% decrease on the prior year, reflecting both the difficult overall market and poor performance in the major markets of Australia and North America. The group's third largest region, Japan, delivered significant growth, a strong turnaround from the prior two years. The lack of new venue openings in the Asia-Pacific region was also a key contributor to the decline in earnings, having been the fastest growth region in 2007.

The Company's reported profit and loss for the year was abnormally impacted by a net loss after tax of $39.1 million arising from the settlement of the Shareholder Class Action, impairment of the PokerTek investment offset by profits realised on property disposals.

However, despite the challenges of last year, the Company remains focused on the future and increased its investment in research and development with expenditure rising 12.5%, all of which was fully charged against profit. This expenditure was broadly spread across existing and future product lines, with key projects including the new stepper product, the *Viridian*™ cabinet, enhancements to the *Gen7*™ platform and the provision of new games for this platform, server based gaming initiatives, enhanced systems capability and products directed at new and emerging markets.

Over the course of the year, we have progressively scaled back execution of our capital management strategy, including suspending the on-market share buy back program. We have also suspended further supplementary dividend payments.

Following on from the previous year's refinancing of the Company's debt facilities, in early February, we rolled over our annual short-term bank facilities. The overall size of these facilities was revised down, and although we continue to retain significant headroom in our facilities it is our intention to continue to operate the Company at conservative debt coverage ratios, within parameters considered consistent with our BBB minus investment grade credit rating.

We will seek to retain ample financial flexibility to meet day-to-day operational requirements and to deal with any strategic opportunities which might present themselves from time to time.

Total dividends declared in respect of the 2008 year amount to 36 cents per share, with average franking of 66.7%. This represents a 26.5% reduction on the total dividend payout of 49 cents in 2007. Excluding supplementary dividends, the payout ratio for the 2008 year was 77.5%, fully franked.

We continue to have a strong and independent Board which is engaged and questioning, with the focus on those areas that are considered important to stakeholders: strategy, risk management and people.

Corporate governance remains a standing item at every Board meeting and all Board members are encouraged to contribute.

During 2008, Non-Executive Director Mr Alan Steelman retired after serving on the Board for 10 years and I would like to once again thank Alan for his contribution over that time.

In December 2008, the Board announced the nomination of Dr Rosalind Dubs as a Non-Executive Director subject to regulatory approval. Dr Dubs has extensive experience and qualifications in the areas of innovation, technology and research and development, which I expect will make a significant contribution to the Company's future. The Board is delighted that Dr Dubs has agreed to join the Board and chair the newly created Innovation and Development Committee.

As of February this year, Mr Jamie Odell joined Aristocrat as the Chief Executive Officer and Managing Director subject to regulatory approval. Jamie is an experienced executive from a consumer oriented industry and has quickly developed knowledge of the Company and the gaming industry and will provide strong leadership going forward.

I would now like to provide an operational overview of the 2008 year.

The results of the **Australian** business were impacted by the delayed availability of *Viridian*™ *Gen 7*™*,* the lack of *Gen 7*™ games to support the platform as well as progressively deteriorating market conditions, with venue gaming turnover impacted by smoking bans and increased operator taxes.

Further compounding the effects of the delayed approval of *Viridian*™ in Queensland and limited game approvals in Victoria and NSW, operators in NSW and Queensland diverted capital spend towards reducing debt levels while the Victorian operators appear to have slowed down their capital spend following the announcement of changes in operator structure post 2012.

As a result, the number of replacement hardware sales declined. Overall unit sales were down 44%.

Margin declined 11 percentage points due to the overall reduction in sales combined with the relatively flat fixed cost base of the business.

While our estimated share of the installed base remained at 67%, replacement sales of Aristocrat machines in the year have fallen to a level which represents a 35 year cycle.

The introduction of *Viridian*™ into NSW in April provided a 15% improvement in our overall average price per unit with the rate of sales into NSW increasing as the year progressed.

During the period, we also launched the sale of content under a new licencing model directed at enhancing the protection of our intellectual property.

Over 9,000 licences were sold. This licencing model is aimed at improving our intellectual property protection and should also provide us with an ongoing income stream from content usage and any subsequent sale in the second hand market.

The **New Zealand** market remained difficult with both the installed base of gaming machines and the number of gaming venues continuing to decline due to the restrictive regulatory environment.

In North America, in constant currency terms, revenue fell 5.6% and profit declined 11%, primarily driven by lower sales volumes and a reduction in average revenue per day on recurring revenue units.

Units sold declined 21% to 10,841. Again we were affected by limited new product together with the lack of a competitive stepper machine and a slowdown in the replacement cycle which hit an historic low with approximately 5.5% of the installed base being replaced in the year implying an estimated replacement cycle of 18.5 years.

Encouragingly, software sales increased 36% reflecting the increasing size and age of the installed base of Aristocrat machines.

Average selling prices increased 8.4% driven by the higher price point of *Viridian*™.

Although our installed base of recurring revenue units increased from 7,473 in the prior year to 7,785 at year end and the average installed base through the period increased by 10.4%, average revenue per day declined from US$44 to US$37 reflecting the impact of lower operator revenues and the mix of jackpot vs non-jackpot machines.

Similar to our experience in Australia, demand early in the year was impacted by the delayed rollout of *Viridian*™ and a limited new game library to support that rollout. Despite deferral of purchases due to delayed approvals and the lack of a supportive games library, performance and operator feedback to date have been positive.

As the new platform was progressively released we estimate the group's overall ship share recovered to be close to 2007 levels by the last quarter of the year.

By year end, *Viridian*™ approvals had been granted in all key jurisdictions complemented by an improving new games library.

Our systems business delivered another record year successfully undertaking 20 new installations, including 2 in Nevada. Our *Oasis*™ casino management system customer base has increased to 250.

Turning now to **Japan**.

The pachislot market continued to decline during 2008. We estimate market demand declined significantly to an estimated 800,000 to 900,000 units while the number of operators in the market is currently estimated at 11,000 to 12,000 compared to approximately 17,000 just two years ago.

Operators are focusing their demand on major titles with only small allocations for more minor titles. This in turn is driving stronger price competitiveness amongst suppliers.

Despite the prevailing difficult market conditions, our performance in this market improved significantly. We achieved a record, for us, share of annual sales, estimated between 6% and 7%.

Revenue and profit increased 92% and 636% respectively. Unit volumes were the key driver of results with over 57,000 units sold, almost double the prior year.

Despite pricing pressures in the market, our overall Yen margin improved to 25%, returning to a level comparable to that last recorded at the height of Regulation 4.

This margin improvement reflects improved absorption of fixed selling costs driven by higher unit sales and the absence of significant inventory write-offs.

Five Regulation 5 games were marketed during the year, with total sales almost double those of the prior year. This result was primarily driven by central brand titles *Kyojin no hoshi 4*™ and *Maha Go Go Go 2*™, which sold a combined total of almost 53,000 units, becoming our most successful Regulation 5 games to date and firmly establishing the strength of the Aristocrat brand in the Regulation 5 market.
In reference to our **other markets** – The results here are a consolidation of our other business segments, namely Asia-Pacific, Europe, Middle East and Africa, South America, ACE and our 50% share of Elektronček.

The reduction in results was primarily caused by significant declines in Asia-Pacific, Europe and Elektronček, partially offset by improvements in the South African and South American businesses.

The **Asia-Pacific** result was impacted by the timing of new venue openings, particularly in Macau which had been exceptionally strong in the prior year, together with an overhang of machines from 2007.

In **Europe**, the strong growth of the last few years slowed, mainly due to worsening economic conditions driving reductions in discretionary spend, the larger than expected and the continued impact of smoking bans on operator turnover.

Viridian™ was released across a number of European jurisdictions with encouraging initial performance figures as well as providing a 28% increase in average selling price.

South African sales were up some 9% due to increased units sold into the limited payout market and traditional casino segments.

South American sales also increased substantially, up 75% following the expansion of the Chilean gaming market with sales to 8 new casinos.

We continue to maintain stable or growing market shares across virtually every region in this segment.

The **Elektronček** result declined, with the business seeing a significant reduction in sales into the Asian region in the absence of any large casino openings.

The majority of sales were into European markets however these were lower than in the prior period due to the delays in gaining product approvals for its *g4*™ *organic*™ product range and the impact of economic conditions on gaming revenues.

Our **ACE** server based and video lottery terminal start up business earned $18 million revenue in the period, a $16.5 million improvement on the prior year albeit delivering a $1.6 million loss.

ACE completed system development work under the Norsk Tipping contract ahead of the anticipated commencement of the network in Norway. The system went live in August 2008. We expect 6,500 terminals to be deployed over the next 2 to 3 years, subject to performance. 791 terminals were delivered in the period.

That concludes my review of the business in 2008, I would now like to invite Jamie Odell, the Company's Managing Director and Chief Executive Officer Elect, to address the meeting.

CEO & Managing Director Elect's address – Mr Jamie Odell

Thank you Chairman, I am delighted to have the opportunity to say a few words today.

As you know I joined the business in February and I've since spent a lot of time in each of our major markets, speaking with many of our shareholders, customers and staff, and getting to understand Aristocrat and our industry globally. It's probably an understatement to say it's a volatile and challenging time. But equally I believe it's a time that presents us with a real opportunity to rethink our priorities, refresh our strategies and prepare to lift performance as conditions improve. Now is the time to make the hard decisions and build the right business model to deliver sustainable shareholder returns into the future.

At the full year results I said I would be focused on three things in the medium term:

- Firstly, ensuring that we have in place an executive leadership team and other key leaders in the business with the skills and behaviours we need to succeed;
- Secondly, executing our 2009 plans effectively; and
- Finally, completing a rigorous strategic review of the business to provide some clear choices and plans for improving our performance in line with your expectations and our potential.

I am pleased to report that we are making steady progress against each of these priorities. Earlier this month I appointed Tony Weston to the new role of Chief Human Resources Officer to ensure we are meeting the people and culture challenges that will be critical to our success. We have also made changes to the reporting structure in our core R&D function to streamline decision-making and improve coordination and oversight. We have convened cross-functional councils to enhance leadership, focus and consistency in the key areas of products and technology. By the time of our half year results in August I expect to have the core Executive Leadership Team finalised and ready to lead the execution of our strategy.

In terms of 2009 and current performance, we are taking a number of steps to improve focus on our critical tasks and fast-track the development of a high performance business culture. The blunt reality is that our culture is not where it needs to be. However, there is a widespread recognition internally that we need to break down silos, reinvigorate leadership at all levels, set ourselves challenging and clear goals and put accountability at the centre of everything we do. Later this month, I will share my own key performance objectives with all staff, and cascade these through the business in a structured way. These key performance objectives will include clear and meaningful success measures against which we will all be held accountable. This is one step along the path to entrenching a dynamic business culture that empowers people to deliver and makes us all responsible for results, both individually and collectively.

The other point I want to make on culture is that we need to flip our historical 'production led' approach and become truly customer and player oriented. We must start with players and customers and work back from their needs to understand where our business can capture value and develop our products and services accordingly. Of course we have to retain and build on our traditional strengths – such as our industry leading game development capability and commitment to R&D – but our future success demands a new approach centred around both our customer and the end user and this will be a key theme flowing out of our strategy work.

I am pleased with the progress we are making in our broad ranging strategy review. We have in place a fulltime, core internal team supported by external specialists and we're working through critical issues including where the value and growth areas will be in the future, understanding where and how we compete, analyzing our culture, capability and operating structure to ensure our business processes support rather than frustrate our success. Already, it's clear for example that we need a far more rigorous long term planning process across the business, and we need to get R&D happening closer to our key markets and customers to ensure our products are the best in the market. We must resist the temptation to be 'all things to all people' and invest our competitive energies more strategically, recognizing for example that around half of our revenue and profitability now comes from the American market.

Finally, I believe we need to better understand the challenges and opportunities presented by the 'responsible gaming' agenda, and bring more coordination to our stakeholder relations more generally. This is part and parcel of ensuring our industry is vibrant and sustainable, and can produce returns for all stakeholders over the long term.

The strategy work will culminate not only in a set of insights, but in a clear and realistic plan that turns these insights into better business performance over the coming 3-5 years. The plan will include milestones that will ensure we can closely track our progress and course correct quickly if necessary. I look forward to sharing more details with you in August.

To conclude my comments, I want to stress that I am very encouraged by our strong business fundamentals, our longer term potential and the processes and plans that we've got underway. Today's capital raising will strengthen our balance sheet and ensure we are well placed to manage our business and take advantage of strategic opportunities should they arise. Clearly, there's a long way to go and the challenge is substantial. We're tackling the big issues and in an environment of exceptional volatility. But I believe we are doing the right things – the things that are going to make a difference and restore our performance to where it needs to be. And I'm absolutely focused on that goal.

Thank you very much ladies and gentlemen, I will now hand back to the Chairman.

Outlook by Chairman

Thank you Jamie.

This morning we announced to the Australian Securities Exchange a revised profit forecast for the first half in the range of 40 to 50 million dollars.

The key factors impacting this forecast include a 30 to 35 million dollar pre-tax deterioration in the profitability of our Japanese business and generally lower demand across the product range as customers defer capital expenditure.

Encouragingly we have improved market share in our major markets in North America and Australia and our earnings are benefiting from a weaker Australian dollar.

While the operating environment is likely to remain volatile, we expect the second half will show considerable improvement.

In the second half, Australia is expected to benefit from the availability of Viridian in Queensland, while North America will benefit from the launch of the RFX stepper and roll-out of innovative recurring revenue products, such as Jaws and Hit the Heights.

The scheduled release of a key licensed game is also expected to significantly lift Japanese profitability in the second half.

In the short term, we are reducing costs and right sizing the business for the current operating environment.