



## **ARISTOCRAT ANNOUNCES 2009 ANNUAL RESULTS AND PROGRESS ON TRANSFORMATION PROGRAM**

**Sydney, 23 February 2010**

Aristocrat Leisure Limited (ASX: ALL) today announced its 2009 annual results and progress on the Group's turnaround strategy.

Aristocrat confirmed earlier guidance of an operating profit (pre-abnormals) after tax and minority interest of \$116.4 million, with revenue of \$908.6 million for the 12 month period ended 31 December 2009.

Aristocrat posted a net loss after tax and abnormals of \$157.8 million, largely due to impairment charges announced at the half year and a provision of \$187.3 million (after tax) made in relation to a potential damages liability associated with the US Convertible Bonds litigation.

During the period, Aristocrat faced adverse conditions across all major markets, with operators highly cautious about capital expenditure and limited new venue openings in North America and other markets.

However, the Group's underlying performance was ahead of market consensus, closing the year with positive momentum on the back of strengthening product traction, particularly in North America and Australia.

Aristocrat continues to take a prudent approach to balance sheet management. Following a \$236.7 million capital raising last April, debt coverage ratios and net debt have been maintained at conservative levels and well within those expected for companies with a BBB- investment grade credit rating.

### **Segment Summary**

In North America and Japan, markets shrank by around 30% compared to the prior year. The Australian market remained flat overall.

In North America, increased ship share and growth in gaming operations installed base was more than offset by significantly lower demand, including in the systems market. Revenue declined 13.8% to \$405.6 million and profit fell 18.8% to \$152.3 million.

In Australia, improved revenues and ship share reflected stronger game releases, a higher average selling price and steady customer uptake of the new 3-year licences. The result also reflected the recognition of an upfront licence fee from a key Australian customer. Revenue increased 12.1% to \$207.8 million and profit grew 21.6% to \$63.1 million.

The impact of the smaller market in Japan was exacerbated by the delivery of only one key licensed game title during the year, which limited total sales volumes. Aristocrat's full year revenue declined 50.5% to \$106.1 million and profit fell 68.6% to \$16.4 million.

Generally weak economic conditions across most other jurisdictions drove a 9.9% fall in revenue and a 22.2% fall in profit in the Rest of World region in 2009. However, Aristocrat generally held share across this segment.

### **Turnaround Strategy Update**

Announced last August, Aristocrat's 3-5 year strategy to achieve a sustainable improvement in performance is still in its early stages. However, significant progress was delivered to plan in the second half of 2009, with work focused in particular around the five game-changing opportunities previously identified as key to Aristocrat's transformation.

These opportunities are: doubling the Group's share of the gaming operations market in North America over the next five years, closing the gap between Aristocrat's ship share and installed base in Australia, better managing volatility in Japan, building a world-class product development capability and tightly aligning resources with Aristocrat's strategy.

### **North America**

In the second half of 2009, the Group focused on building capability and impact in the North American market. In particular, Aristocrat boosted its investment in games development tailored specifically for this market, and established focused teams to lead the implementation of its gaming operations and stepper strategies. Investment was also increased behind Aristocrat's profitable systems business and in leading edge gaming technology capability.

Despite difficult market conditions, Aristocrat's gaming operations installed base grew by 950 units to 6,409 units during 2009. This result was led by stronger games releases, particularly *JAWS™* and *Hit the Heights™*, representing early but important progress in the Group's turnaround program.

Outright ship share in North America also improved during the year, driven by increasing traction in *Viridian™* game performance.

The performance of the systems business reflected the drop in new casino openings in 2009. However, a record number of properties now use Aristocrat's *OASIS™* casino management system.

A dedicated stepper team continues to focus on expanding and improving Aristocrat's stepper games library.

### **Australia**

The Australian business continued to undergo extensive change in 2009, with a new leadership structure and an increased focus on understanding and responding to the needs of the Australian market. Additional resources were invested in dedicated game development for Australian jurisdictions and accelerating engagement with customers and the broader industry.

Aristocrat's share of the Australian market grew 4.2% in 2009 compared to the prior year supported by stronger game releases and the steady customer uptake of the new 3-year licenses. Over 2010, the Group will fast track implementation of its turnaround plans, and make the significant changes still required to build a world-class business model in Australia.

### **Japan**

The Japanese business benefited from increased management focus during 2009. The business deepened its understanding of market preferences in terms of game types and the synergies available by leveraging Aristocrat's global product development and supply chain processes. A three year games pipeline has also been established.

Aristocrat's Japanese subsidiary has signed a conditional agreement to make a non-material acquisition that will assist in increasing annual game approval slots. Other strategies are also in progress to build a library of strong licensed characters, which will ensure a fully stocked games pipeline and sustainable top line momentum over the medium term.

### **World Class Product Development**

The development of world class product is well underway with a global insights function established, key management appointments in place and dedicated design studios established and focused on meeting the needs of players and customers in key markets. The Group's new Indian Development Centre is now fully operational, and a range of other initiatives aimed at optimising Aristocrat's supply chain footprint is also progressing to plan.

### **Aggressive Cost Alignment**

Aristocrat reported a normalised 7% reduction in SMG&A for the full year, reflecting net savings achieved from a range of rigorous cost control initiatives, including an organisational rightsizing program.

Aristocrat also withdrew from more than 40 non-core jurisdictions during the second half of 2009 to increase its focus on strategically important market and segment opportunities.

### **Dividends**

In light of the Company's reported loss for 2009, and any resulting cash outflow from the Convertible Bond litigation, the Board has determined that no final dividend will be paid for the 2009 year.

The Group is committed to providing shareholder returns through paying dividends and, subject to Board review at the appropriate times, will revert to its annual earnings payout ratio target of 50%-70% in 2010.

Chief Executive Officer and Managing Director of Aristocrat, Mr Jamie Odell, said "While we are still in the early stages of our 3-5 year turnaround, we are making important and steady progress across the breadth of our strategic change agenda. We have clear performance benchmarks in place at all levels of the organisation and are progressing to plan."

"Our higher ship share results in North America and Australia are particularly encouraging, and demonstrate that the improvements we are making in our product portfolio and go to market strategies have gained early traction with customers."

"However, 2010 is going to be another tough year and we have a lot of work ahead to embed the improvements we're making across the business and turn them into sustainable top line momentum."

"2010 is going to be a year of accelerating the implementation of our strategy, amid tough and turbulent market conditions across the world. Our operational performance will continue to be impacted by these macro factors. We will, however, maintain our focus on the things within our control: improving our fundamentals and positioning Aristocrat to take full advantage of opportunities as they arise and as conditions improve" Mr Odell concluded.

## Summary Results

	2009 \$Million Constant Currency <sup>^</sup>	2009 \$Million	2008 \$Million	Constant Currency <sup>^</sup> Variance vs 2008	Actual Variance vs 2008
<b>Normalised Results *</b>					
<b>Total Revenue from Ordinary Activities</b>	907.5	908.6	1,079.9	(16.0)%	(15.9)%
<b>Earnings before Interest and Tax</b>	176.9	169.9	212.9	(16.9)%	(20.2)%
<b>Profit after Tax and Minority Interest</b>	121.7	116.4	140.3	(13.3)%	(17.0)%
<b>Fully Diluted Earnings per Share</b>	24.1	23.0c	30.5c	(21.0)%	(24.6)%
<b>Total Dividends per Share</b>	4.5c	4.5c	36.0c	(87.5)%	(87.5)%
<b>Reported Results</b>					
<b>(Loss) / Profit after Tax and Minority Interest</b>	(152.5)	(157.8)	101.2	(250.7)%	(255.9)%
<b>Balance Sheet / Cash Flow</b>					
<b>Operating Cash Flow *</b>	161.8	157.8	173.8	(6.9)%	(9.2)%
<b>Fully Diluted Cash Flow per Share *</b>	32.0c	31.2c	37.8c	(15.3)%	(17.5)%
<b>Closing Net Debt</b>	103.5	75.3	376.4	(72.5)%	(80.0)%

<sup>^</sup> Adjusted for translational exchange rates using rates applying in 2008.

\* 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. The Group is licensed by over two hundred regulators and its products and services are available in over ninety countries around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines, interactive video terminal systems, electronic tables and casino management systems. For further information visit the Group's website at [www.aristocratgaming.com](http://www.aristocratgaming.com).