

Aristocrat Leisure Limited
2010 Annual General Meeting

Chairman's address – Mr David Simpson

I will now like to provide an overview of the Group's progress in the 12 months to 31 December 2009.

By any measure, 2009 was a year of significant change for Aristocrat. We began to take the critical steps required to return us to a sustainable growth path in all areas from leadership to structure and strategy.

In February 2009, we appointed Jamie Odell to lead the business as CEO and Managing Director of Aristocrat Leisure Limited. Jamie has extensive leadership experience in global, consumer oriented industries and has already made a significant impact by leading the new team in the development and implementation of the turnaround strategy launched in August 2009.

While it is early days in the implementation of this 3-5 year strategy, we saw some positive signs emerge over the course of 2009 that Jamie will elaborate on shortly.

In the face of significant uncertainty in the financial markets generally and the global economy in particular, the Board took steps to further strengthen the Company's balance sheet, with a capital raising in April totaling \$236.7 million after costs.

Subsequently, the Company made the difficult but important decision to recognise a provision of \$187.3 million after tax in relation to the expected damages associated with the convertible bonds litigation in the US. While this was a disappointing development it does allow the Company and management to focus on the Company's core business moving forward with a degree of certainty and confidence in the future.

Board renewal was a key area of activity in 2009, commencing with the nomination of Ian Blackburne and Stephen Morro to the Aristocrat Board, subject to receipt of all relevant regulatory pre-approvals. We are delighted to have the benefit of Ian's strategic skills and experience across a range of sectors, as well as Stephen's deep understanding of the gaming industry, particularly in the critical US market. As you know, both Ian and Stephen have been nominated for election to the Board by shareholders at today's meeting.

As previously announced, two longstanding Directors in Mrs Penny Morris and Mr Bill Baker are retiring. Penny Morris retires from the Board at the conclusion of today's meeting and Bill Baker later this year. I have also announced my intention to retire both as Chairman and a member of the Aristocrat Board later this year, once my successor has been announced.

These changes are consistent with the interests of shareholders in ensuring appropriate and orderly Board renewal.

On behalf of the Board, I express my sincere thanks to Penny and Bill for their meritorious service to Aristocrat over many years. I wish them all the best in their future endeavours. For my own part, the opportunity to lead the Aristocrat Board over the past six years has been a privilege and I thank my Board colleagues and the dedicated management team and staff of Aristocrat for making it so.

While we have a number of challenges ahead of us, I believe we now have in place the critical building blocks necessary for Aristocrat to succeed and reclaim our mantle as the world's leading gaming supplier. We have products that perform, global brand recognition, excellent customer relationships, a healthy balance sheet and talented people. We also have a clear strategy and path ahead to convert these assets into sustainable growth – for the benefit of shareholders, staff, customers and players alike.

I would now like to introduce Jamie Odell, CEO and Managing Director of Aristocrat, to comment on the 2009 financial year in more detail.

CEO & Managing Director's address – Mr Jamie Odell

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

I would reiterate your comment that 2009 has been a year of change throughout our business. We have focused on putting in place the foundations for a successful turnaround over the coming 3 to 5 years, and that means delivering a sustainable lift in our performance.

While our reported result for 2009 was disappointing, and delivered in difficult global economic conditions, our underlying performance was ahead of market consensus. The result also contained a number of encouraging positives – for example, the achievement of higher ship share in the key North American and Australian markets and the market-leading growth rate achieved in our gaming operations installed base in North America.

Of course, we are still in the first 12 months of our turnaround program. In addition, and as we said in February, we expect to continue to face tough trading conditions over the remainder of this year. Our focus in 2010 will therefore be on accelerating the implementation of our strategic plan, and ensuring Aristocrat is well positioned to take advantage of opportunities as markets improve through 2011 and beyond.

I would now like to recap some of the key financial performance information we set out at the full year.

In the 12 months to 31 December 2009, operators were highly cautious in terms of capital spend and there were limited new venue openings during the reporting period compared to 2008. Revenue for the full year was \$908.6 million, 15.9% below the prior period, and our operating profit after tax and minority interests was \$116.4 million, 17.0% below the 2008 result. Net abnormals after tax were \$274.3 million, and were largely associated with the legacy convertible bonds litigation in the US and the impairment of our investments in multi-terminal gaming machine businesses.

As you will be aware, we reported a net loss after tax of \$157.8 million for the full year, as a result of these abnormal charges.

Operating cash flow was down 9.2% in reported figures and 6.9% in constant currency to \$157.8 million, compared to the prior corresponding period. This change was driven by lower earnings and adverse currency movements, but partially offset by strong operating cash conversion. Closing net debt was reduced by \$301.1 million to \$75.3 million, reflecting the \$236.7 million capital raising in April 2009.

I'd also like to provide more detail on performance in our three key markets of North America, Australia and Japan.

In North America, weak economic conditions coupled with a slower replacement cycle and fewer new casino openings resulted in significantly reduced demand over the period. Revenues declined 16.8% or US\$65.3 million and profit decreased 20.9% or US\$32.3 million. Positively, the business grew ship share, but overall unit sales declined in a smaller market. Average unit selling price during the period was US\$14,675, down 2.9% on the prior year, primarily due to shifts in customer and product mix.

Our gaming operations installed base increased by 950 units in the 12 months to 31 December 2009, representing the highest rate of growth achieved in the US market during the year. This strong result reflected the traction generated by key game releases including JAWS™ and Hit the Heights®. However, the installed base average fee-per-day declined from US\$46 to US\$42, in line with the market and principally reflecting reduced operator revenues.

Systems and services revenue was weaker, due to fewer new casino installations with 13 in 2009 versus 20 in the prior comparative year. However, the number of properties that use the OASIS 360™ casino management system in North America continued to grow and now stands at a record 264. While the VIRIDIAN™ RFX™ stepper cabinet and platform released in 2009 are performing solidly in the field, sales were limited to a few hundred units as we continued to focus on developing a competitive games library.

In Australia there were signs of improvement in the latter part of the year, with revenue increasing 12.1% or \$22.5 million and profits growing by 21.6% or \$11.2 million over the prior period. Ship share improved by 4.2% versus the prior comparative period, with New South Wales performing strongly and recording a 3.9% improvement. This result was driven by the positive performance of a number of game titles, including JAWS™, Hit the Heights® and More Chilli®, along with the introduction of our new three-year licensing model.

Performance was weaker in Queensland due to delays in game releases, along with slower adoption of VIRIDIAN™. As was the case in New South Wales, we expect traction behind VIRIDIAN™ will build in Queensland over time as stronger game content is released.

Average selling price improved by 3.8% with increased penetration of VIRIDIAN™. Conversions in New South Wales benefitted from the Indian Dreaming™ revocation, but this was offset by a softer conversion market in Queensland due to the release of VIRIDIAN™. This represented a reversal of trends seen in the prior year.

Margin increased 2.4 percentage points, driven largely by stronger VIRIDIAN™ margins, savings in sales, marketing, general and administration costs of 5% and the contribution from prepaid licence fees from a key customer. Underlying performance, excluding this contribution, also grew compared to the prior period.

In Japan, Aristocrat's revenues declined by ¥8.3 billion (49.3%) and profits by ¥3.0 billion (68.0%). While gross margins were maintained through cost efficiencies, the impact of this was more than offset by the decline in volumes. The key licensed title Tetsuya™ was delivered to plan in the second half and achieved total sales above 18,000 units, ahead of our expectations within the demand constraints of that market. The lack of further licensed title releases during the period weakened our overall result.

During 2009, and as the Chairman has noted, we began the implementation of extensive changes to structure, processes and culture in order to set the foundations for a successful turnaround effort. In August 2009, we called out four key themes that underpinned our turnaround strategy, namely: becoming more player led and technology driven, building the best games and systems, focusing on the right markets and segment opportunities and creating a world-class organisation to underpin and accelerate our efforts.

I'm pleased to report that we have made early but significant and tangible progress against each of these areas through the latter half of 2009.

We made early headway in building a world-class product development process that delivers the best games and systems – faster, and more efficiently to our customer facing teams in each market. We established a global marketing insights function in Las Vegas to collect and interpret player, customer and market insights and increased our investment in market research in the US, Australia and Japan.

At the same time, we enhanced our ability to leverage insights by improving core product development processes and capability – particularly in cutting edge gaming technology. A number of critical, high calibre appointments have been made to ensure we have the skills we need to execute our product strategies. At G2E in Las Vegas this November we will be showcasing some of the early and exciting improvements we're making to our games portfolio in North America. We are on track to accelerate this work through 2010 so that we can deliver significant portfolio improvements in 2011 and beyond.

In 2009, we also improved the efficiency of our product development processes. Our Indian Development Centre became fully operational in February 2010. We expect this resource to eventually absorb over 50% of routine programming and porting tasks and standard systems work, allowing our creative studios to focus on innovative and value-adding development activity. A range of other initiatives aimed at optimising our supply chain footprint were also launched and are progressing well. These will give us additional operational strength and flexibility over the coming period.

In addition, over the course of 2009 we implemented a business-wide right-sizing program along with rigorous cost controls that achieved a normalised 7% reduction in overhead costs. We have invested these savings in line with our strategy, including by filling a number of critical capability gaps in areas such as customer and player insights, platform architecture, pricing and business transformation.

The executive team was refreshed in July 2009, with a mix of internal and external appointments to boost the team's capability in gaming technology, sales, strategy implementation and strategic people management, while retaining substantial gaming industry experience. More of the team is now based in North America, with focused management structures in place around each of our key regions of the Americas, Australia and Rest of World (including Japan).

We also introduced a rigorous, company-wide approach to setting and assessing meaningful and aligned key performance objectives (KPOs), and launched a 'Winning Ways' program to define and embed high-performance behaviours across the business. We continue to actively break down silos through the creation of senior cross-functional teams and shared KPOs.

As one of the world's established gaming businesses, Aristocrat aims to benefit our shareholders, staff, customers and players over the long term. Our commitment to promoting responsible gaming is part and parcel of this vision. Aristocrat supports initiatives that are proven to reduce problem gambling without unduly impacting the overwhelming majority of recreational gamers, or limiting their choices, amenity and enjoyment. In addition, initiatives must be able to be implemented with a high degree of integrity, from both a technological and a legal perspective. Finally, we believe it is critical that responsible gaming initiatives are affordable and viable for operators and ultimately for players.

Over the course of 2009, Aristocrat contributed to the Australian Productivity Commission's review of gambling industries both in our own right and by supporting the advocacy of key industry bodies. As part of our leadership commitment, I accepted the Chairmanship of the peak Australian industry body, the Gaming Technologies Association. The company continued to work cooperatively with regulators, industry associations and independent researchers to better understand the drivers behind problem gambling, and contribute to the development of balanced and effective gaming policy.

Our Company has made important progress throughout 2009, and are pleased to be on track with some positive signs emerging. However, we acknowledge that we are in the early stages of a 3 to 5 year turnaround program. 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. This is what investors rightfully expect and what we know Aristocrat is capable of delivering.

I would now like to comment on the outlook for the remainder of 2010. As I've said consistently, this is going to be a year of accelerating the implementation of our strategy, amid challenging and turbulent market conditions across the world. As we have consistently said, we are not expecting broader growth in the key global gaming markets before 2011. We will maintain our focus on holding share and building our capability and competitiveness in order to make the most of improved conditions through 2011 and beyond.

Turning to our key markets, in the US we are making solid progress and executing our turnaround strategies to plan. For example, the recent launch of our VIRIDIAN Widescreen™ product is an important milestone that enhances our portfolio and competitiveness in the US market and has been well received by customers. Our focus on leveraging leading edge technology has also gained momentum, with a new Aristocrat office to be opened shortly in the technology hub of Austin, Texas. As I flagged earlier, we expect to showcase further progress at this year's G2E. At the same time, operator revenues in the US have declined compared to the prior corresponding period, and the overall market opportunity continues to be constrained in line with our expectations and as previously advised.

In Australia, we are continuing to focus on two key areas of work – significantly improving our games portfolio and building a world-class sales and marketing operation. Our progress is broadly in line with our expectations at this early point. We remain confident that the extensive changes we are driving through the Australian business will rebuild performance on a sustainable basis within our 3-5 year strategic horizon.

In Japan, Aristocrat continues to focus on improving our games portfolio and pipeline in order to reduce volatility over the medium term. As we've previously flagged, overall market conditions continue to be depressed.

While it is still relatively early in the year I would also reiterate the potential adverse impact on our Company's 2010 net profit of sustained strength in the Australian dollar through 2010, as well as the increased interest funding costs associated with the Convertible Bonds litigation. A one cent movement in the Australian dollar impacts our bottom line by around \$1.3 million. We expect the translational impact of FX will be seen predominantly in the first half. We therefore anticipate overall performance for 2010 will be weighted towards the second half of the year. The interest costs associated with the Convertible Bonds litigation have been previously calculated to 30 April 2010 but will continue to accrue beyond this date until the final judgement has been delivered by the Court, the timing of which is not within the Company's control.

While 2010 is going to be another challenging year for the business, we have made very significant progress over last 12 months. We have a refreshed leadership group with the right capabilities in place. We have a clear strategy, with effective implementation plans, oversight and accountability through the line. We are maintaining a disciplined focus on the things within our control and working hard to improve our business fundamentals. We are ensuring Aristocrat can take full advantage of opportunities as they arise, and as operating conditions improve, consistent with our 3-5 year turnaround plan.

I look forward to sharing our progress with you as we move forward.