



## TRADING UPDATE

**Sydney, 26 November 2010**

Aristocrat Leisure Limited (ASX: ALL) today announced that based on the current trading outlook and unaudited management results to date, it expects to report an operating profit after tax in the range of \$50 - \$60 million for the year ending 31 December 2010. This excludes net abnormal gains expected for the period.

Key factors contributing to the revised expectations for 2010 performance are:

- a further contraction in the US market, particularly in the third quarter of 2010, with year to date demand down by more than 15% compared to 2009. This has been driven by continued weak economic conditions, highly constrained operator capital spend and a significant reduction in new openings;
- weak earnings in the Australian market in the second half, due to limited availability of new product to match demand;
- continued poor earnings in the Japanese market, reflecting a lack of competitive product releases and high levels of competition; and
- further strengthening of the Australian dollar.

### North America

North American earnings for 2010 are expected to be below 2009, due to a further contraction in the overall market. Aristocrat has, however, grown market share on a year to date basis, due to new product releases and the success of its *Viridian WS™*.

Gaming operations revenues will be impacted by a decline in Aristocrat's installed base and a lower fee per day. The reduction in fee per day is due to a combination of continued declines in operator revenues and an ageing installed base. A number of scheduled systems installs were also deferred during 2010.

In 2011, the Company expects the North American market will decline marginally, driven by reduced expansions. Aristocrat expects to benefit from an improved earnings mix given continued strong performance of widescreen product, the launch of a widescreen stepper offering and more competitive gaming operations products.

Aristocrat expects to achieve improved gaming operations performance as the first products developed as a result of the Company's turnaround strategy, which were released at G2E 2010, are generating significant customer interest. The Company anticipates both the installed base and fee per day will improve through 2011 on the strength of better performing products built specifically for the US market.

### Australia

Australian earnings for the second half of 2010 are expected to be broadly in line with the first half of 2010. The Australian business has lost share overall, with improved traction in Victoria outweighed by share losses in New South Wales. Revisions made to the games pipeline for the second half were insufficient to fully capitalize on market demand, which moved more quickly than anticipated towards widescreen and shifted to mid-denomination products - segments in which Aristocrat did not historically have sufficient products.

In 2011, the Australian market is estimated to remain flat on 2010 levels. Aristocrat however, consistent with its turnaround strategy, is bringing forward the release of a number of new products in the first half of 2011, led by a new widescreen product that will be supported with a broad games library, including new game formats and key themes. Further releases are scheduled for 2011 to target growth segments and game styles, and the business will significantly increase games support for the Mark VI installed base to help drive higher conversions.

The benefits of an additional Australian focused creative studio will also come on stream early in 2011. In addition, the improved product portfolio is expected to address legacy game performance issues in Australia and recapture share.

## **Japan**

Japanese earnings for 2010 are expected to be below expectations due to intense competition, the self-restriction period during the Asia-Pacific Economic Cooperation meetings in the second half and weaker than expected sales of the Company's key licensed game. Total volumes for the year ended 31 December 2010 are now expected to be approximately 50% below the prior year.

In 2011, the Japanese business plans to release two licensed games – one leveraging a newly acquired key license - as well as a new cabinet and a number of technology improvements. The business will also acquire further licenses, particularly in the second half of the year, and pursue significant cost reductions in line with the Company's strategy.

## **Summary**

Aristocrat continues to expect that growth momentum in key jurisdictions is unlikely to build materially before 2012. A little over one year into a 3-5 year turnaround program, progress is occurring fastest in the Company's highest priority market in the US, off the back of stronger and more competitive game releases. As product portfolios improve in Australia and Japan through 2011, Aristocrat expects to increase share in these markets, and make further gains in North America. Aristocrat will continue to focus on positioning the business to take full advantage of opportunities as market conditions improve in 2012 and beyond.

Further, Aristocrat remains within its debt covenants and has significant headroom available within the Company's current 3 year debt facilities, which were renewed in June 2010.

Aristocrat continues to address difficult market and legacy business issues to ensure the Company consistently delivers the best possible products in our key markets and segments and drive sustainable growth within its turnaround window.

Final audited results for the full year ending 31 December 2010 will be released to the market in late February 2011.

## **Enquiries**

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Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Company 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](http://www.aristocratgaming.com).