10 February 2003

Mr Stephen Yan
Companies Advisor
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Fax 9241 7620

Dear Mr Yan,

We acknowledge your letter of 7 February 2003 and provide the following answers to the questions as listed: -

(1) Yes, the contract would have been material. The Company has a consistent history of announcing all significant contracts when all performance conditions have been met and we would have followed the same practice in this case.

The issue with this contract was at what stage it could have been announced. As mentioned in the earlier announcement, when the contract was signed on 12 December, it contained a number of conditions which were required to be fulfilled by the customer before the revenue could be recognised. It would not have been appropriate to have announced the contract before those conditions were fulfilled – the damage which would have been caused if the contract had been subsequently terminated would have been too significant for the Company to contemplate responsibly.

The bank which was proposing to guarantee the transaction, verbally advised the Company on 16 December that it was prepared to recommend the guarantee to its Lending Committee. Shipping of the machines commenced on 17 December. Negotiations continued with the customer throughout January to try to ensure that the conditions were fulfilled. Many of them were but critically, the bank decided late in January, probably around 28 January, to suspend further lending to the sector because of an unrelated incident.

The customer was not able to secure alternative financial support in the limited time available. The Company was advised of this by the customer on 4 February. As a result, the Company decided on 5 February that a trading halt should be requested so that an announcement could be prepared. The trading halt was requested before trading commenced on 6 February.

We do not believe that at any earlier time the Company was in a position to announce the contract. We believe that if we had announced this contract in December, it would have resulted in a profit upgrade which would have been seriously misleading to the market. We have followed in this instance the approach which the Company has taken for all previous announcements.

We emphasise that discussions with the customer and the bank are continuing.

(2) See answer to (1)

ARISTOCRAT LEISURE LIMITED
ABN 44 002 818 368
Head Office
71 Longueville Road Lane Cove NSW 2066 Australia PO Box 808 Lane Cove NSW 2066 Australia
Telephone +61 2 9413 6300 Facsimile +61 2 9420 1352
www.aristocrattechnologies.com

(3) Although the contract was signed on 12 December, the customer had a number of obligations to fulfil which, as our announcement mentioned, he failed to fulfil. The Company was not in a position to assess the impact on the market's expectations until 4 February.

In relation to Listing Rule 3.1A, we believe that a reasonable person would not have required disclosure before the conditions were fulfilled. We believe that we have fulfilled our obligations as soon as it became apparent that the contract was not proceeding as planned. There is absolutely no evidence that the information had ceased to be confidential. The transaction was incomplete. There was no false market.

(4) See answer to (1) above and the attached statement.

(5) For the reasons spelt out above, there were no earlier announcements and we believe there was no requirement to make one.

(6) See earlier responses.

(7) The Company believes that it is in full compliance with the Listing Rule 3.1 and has acted responsibly to avoid any possibility of an uninformed market.

We attach a statement of additional information for release to the market.

Yours sincerely

FWE BUSH
Company Secretary

ASX
AUSTRALIAN STOCK EXCHANGE

Australian Stock Exchange Limited
ABN 98 008 624 691
Exchange Centre
Level 6 ,20 Bridge Street
Sydney NSW 2000

PO Box H224
Australia Square
NSW 1215

Telephone 61 2 02-9227 0000
Facsimile 61 2 02-9241 7620
Internet http://www.asx.com.au
DX 10427 Stock Exchange Sydney

7 February 2003

Mr Frank Bush
Company Secretary
Aristrocrat Leisure Limited
71 Longueville Road
Lane Cove NSW 2066

By Facsimile: (02) 9420 1352

Dear Mr Bush

ARISTOCRAT LEISURE LIMITED (the "Company")

We refer to the following.

a) The Company's announcement released to the market on 7 February 2003 at 9.31am AEDT regarding the Company's profit downgrade (the "Announcement").

b) A decrease in the Company's share price from $4.22 at close of trade on 5 February 2003, being the last trading price immediately before the Announcement was released, to a low of $2.25 after the Announcement was released and a closing price of $2.40 on the day. An increase in volume of securities traded after the Announcement – a total of 50.7 million Company shares were traded (4,555 trades).

We note that the Announcement states "a large transaction in South America, involving the sale of a significant number of electronic gaming machines, was concluded in December after several months of negotiations. Subsequently, the customer has failed to fulfill a number of obligations in relation to this contract. The Board and Management of Aristocrat have now decided that it wouldn't be prudent to recognize this revenue in the 2002 full year result, although the Company is continuing to negotiate with the customer. This decision has two ramifications: NPAT for the full year to 31 December 2002 will not now meet consensus market forecasts and is expected to be $80.2 million, subject to final audit. Inventory at 31 December will be higher than planned due to the taking back of the machines in question."

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Further, we wish to draw your attention to listing rule 3.1 which requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in the rules.

Having regard to the Announcement, the above definition and listing rule 3.1, we ask that the Company advise the following.

1. Does the Company consider that the large transaction in South America that was concluded in December 2002 (the "Contract") to be material to the Company?

2. If the answer to question 1 is "yes", why did the Company not make an announcement to ASX immediately upon finalisation of the Contract?

3. If the answer to this question 1 is "no", on what basis was no announcement made noting that one of the ramifications of the Contract not being fulfilled is that the NPAT for the full year to December 2002 will not meet consensus market forecasts, and is now expected to be $80.2 million, subject to final audit? In your response to this question please comment on the application of the exceptions in listing rule 3.1A.

4. When did the Company become aware that "... *the customer has failed to fulfill a number of obligations in relation to this contract*" concerning the large transaction in South America?

5. If the Company became aware before 7 February 2003, please identify any earlier announcements from the Company, which disclosed information that "... *the customer has failed to fulfill a number of obligations in relation to this contract*".

6. If there was no relevant earlier announcement, and the Company became aware that "... *the customer has failed to fulfill a number of obligations in relation to this contract*", please advise why the information was not released to the market at an earlier time. Please comment specifically with respect to the obligation in listing rule 3.1 and exceptions in listing rule 3.1.A.

7. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 3.1A.

Your response should be sent to me on facsimile number (02) 9241 7620. In accordance with listing rule 18.7A, ASX reserves the right to publish documents it receives. Your response should <u>not</u> be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later **<u>4.30 pm AEDT on Monday 10 February 2003</u>**. <u>The response must be in a form suitable for release to the market</u>. If you have any queries, please contact me immediately on (02) 9227 0892.

Yours sincerely

Stephen Yan
Companies Advisor