

**Ainsworth Game Technology Ltd**

ABN 37 068 516 665

10 Holker Street  
Newington NSW  
Australia 2127

Tel: +61 2 9739 8000

Fax: +61 2 9737 9483

www.ainsworth.com.au

20 November 2013

**ASX Release****ASX Code: AGI****Ainsworth Game Technology Limited**  
**2013 Annual General Meeting Addresses****EXECUTIVE CHAIRMAN**

(Presented by Mr LH Ainsworth)

Ladies and Gentlemen,

I am pleased to report that the Company is in a strong financial position, and with the continued high product performance being achieved sales momentum is progressively building which we expect to result in further progress in the Company's financial results in FY14.

At Ainsworth, we are committed to developing and supplying a range of innovative, entertaining and high quality gaming products to world markets. We are also positioned to evaluate and pursue future strategic opportunities as they arise.

The financial highlights delivered in the 2013 year included:

- Revenue up 32% to \$198 million;
- EBITDA up 32% to \$74 million; and
- Profit before tax up 50% to \$69 million.

The Company's Chief Executive Officer, Mr Danny Gladstone, will further expand on the 2013 financial results and outlook for the Company in FY14 in his address.

As I outlined last year, we undertook to progressively review the composition of the Board to broaden its depth, diversity of skills and expertise. I am pleased to welcome Mr David Macintosh and Mr Colin Henson who were appointed directors earlier this year and will be offering themselves for election later in the meeting. Given their extensive experience we are confident they will add significant value to Board deliberations as we embark on building a truly global gaming company.

I would also like to make special mention of Mr Stewart Wallis who retired as a director on 30 June 2013. Stewart provided invaluable guidance, not only to the strategic operations of the Company, but as a representative on all established sub-committees over his 11 years as a director of AGT.

In Nevada we are pleased to have secured the services of Mr Mike Dreitzer, an experienced gaming executive, to oversee the North American operations once Danny relocates to Australia later this year. We are confident that Mike will build on the strong foundation Danny established during his tenure in the USA, and will ensure the Company is well positioned to capitalise on the significant opportunities in this key market.

The Company continues to invest in new product initiatives, as shown recently at the G2E Gaming Exhibition held in Las Vegas in October and last week in Macau. These new products include the innovative slant top bench model, the A560SL 32 inch cabinet, a range of MegaTop products and the display of our first licensed themed game, Magnificent Seven™.

Performance data confirms that our current and newly developed products are at the forefront of the industry in terms of both game variety and sustainable entertainment appeal. We expect the new and innovative products we have in development will translate into continued revenue growth in FY14 and beyond.

The Company is committed to ensuring the necessary resources, processes and procedures are in place to maintain our existing gaming licenses, as well as pursuing new licenses in markets that offer potential growth opportunities.

The Company's commitment to provide returns to shareholders has been confirmed with the commencement of dividends during FY13. Given the Company's strong cashflows, this is not expected to impact ongoing investment in research and development or our ability to take advantage of opportunities that are both earnings accretive and complement the sale of current gaming products and, in the future, online gaming products.

I would like to acknowledge the Board, our Chief Executive Officer, Mr Danny Gladstone, the strong leadership team, our valued employees and my fellow shareholders for their continued support of the Company.

I will now hand you over to Chief Executive Officer, Mr Danny Gladstone, to provide an overview of the Company's operations and outlook for FY14.

**CHIEF EXECUTIVE OFFICER**

(Presented by Mr D Gladstone)

Thank you Mr Chairman.

Good morning ladies and gentlemen,

As outlined by our Executive Chairman, Mr Len Ainsworth, the 2013 year resulted in further financial gains and the commencement of dividends to our shareholders. We continue to lay the foundations for sustained growth in domestic markets and capitalize on growth opportunities in targeted international regions.

Since last year's Annual General Meeting we have continued to pursue development initiatives to further improve the leading product performance of the Company's range of innovative gaming equipment. Some performance highlights were as follows:

- Increased ship-share gains within domestic markets through continuing player appeal of our mid-denomination products, including Reel of Wheels™, Multiplay™ and BigTime II™;
- Improved penetration in low-denomination market share with the Quad Shot™ range of titles;
- Release of the A560™ within Victoria resulting in a revenue increase of 349% for the second half compared to the first half of FY13;
- Growth in products under operation within the Americas which resulted in an installed base of 1,156 machines at the conclusion of FY13;
- Display of the first licensed theme game – Magnificent Seven™ at the G2E Gaming Exhibition in Las Vegas. We expect the first deliveries of this product to be installed in the second half of FY14 once regulatory approvals are secured;
- Good progress in other international markets of Asia, New Zealand and Europe, with Asia increasing 94% over the same period in 2012; and
- Completion of our re-structure within South America through the establishment of local companies to facilitate the planned placement of products under revenue sharing arrangements.

These performance highlights resulted in the achievement of revenue for FY13 of \$198 million, an increase of 32% over the previous period in 2012. I am pleased to say we have established a strong profitability track record with revenue growth over ten consecutive half years.

Domestic revenue for FY13 was \$124 million and we expect FY14 to result in further revenue gains as we progressively release new products over the year. Momentum within the Victorian market has continued into the first half of FY14 which, based on the four months to October 2013, is ahead of the record result achieved in the second half of FY13.

International revenue in FY13 was \$74 million, an increase of 55% compared to the previous corresponding period in 2012. The planned placement of machines on revenue sharing arrangements within the Americas is expected to further grow our overall installed base of products under gaming operations at progressively increasing yields in the coming year.

Gross margin in FY13 was 66% compared to 68% in the prior period in 2012. Domestic margins remained strong during FY13 however the margin deterioration experienced was primarily due to the increased revenue from South America at lower average selling prices. Continued cost reduction initiatives combined with increased sales volumes, production efficiencies and recent favourable currency movements are expected to assist in off-setting potential negative margin impacts in the current year.

While operating overheads were up in FY13 compared to the previous year in 2012 as a percentage of revenue they fell from 36% to 33%. This increase in overheads was attributable to higher variable costs in line with revenue growth, increased investment in new product development, and the full year impact of the establishment of the operational facility in Las Vegas. We continue to review cost structures to reduce both product and overhead costs through improved efficiencies.

Research and development expenditure in FY13 was maintained at 12% of revenue to enable the Company to progress development initiatives. We expect that recent hardware cabinet variants resulting from this investment will allow us to expand our library of the Premium Plus range of recurring revenue games targeted for international markets.

As we outlined in 2012 and as reported in the full year financial report, an unsecured facility of \$30 million has now been established with the Australia and New Zealand Banking Group. This facility will enable flexibility to manage working capital requirements over the medium term and assist in creating a natural hedge against adverse foreign currency movements by utilizing borrowings in US dollars. Various other measures are being progressively implemented to ensure prudent management of working capital and further increase cash flow from operations in FY14.

As Len outlined, I will be returning from the USA later this year and I am pleased to note that significant progress has been made within the Americas and we expect that recent initiatives will provide future financial returns. During my time in the USA, I have gained valuable insights into how the Company can best capitalize on the changing competitive landscape and the potential opportunities within this key market. I am confident the addition of Mr Mike Dreitzer as the President in North America will ensure progression of the Company's expansion plans. The recent acquisition of land in Las Vegas provides the opportunity to build a world class operation in this major market.

In October a strategic partnership agreement was signed with Comtrade Gaming Slovenia, to provide secure and reliable online content delivery technology, providing AGT with the cornerstone to expand its B2B online strategy.

We are pleased to announce that in the immediate future a suite of games will be launched in New Jersey, North America's first regulated online gaming jurisdiction.

Both Trump Plaza and Golden Nugget Casinos will launch their sites on 26<sup>th</sup> November with AGT game content. AGT has now launched its games in both the United Kingdom and Italian markets. Development of both desktop and mobile game applications is a key priority for the online strategy during the 2014 calendar year.

We will also focus on expanding B2B distribution channels by signing content supply agreements with substantial European industry operators. Whilst material economic returns from our online initiatives are not initially expected in the short term our focus is to ensure we continue to pursue opportunities and have a robust business model going forward.

The introduction of a new long term incentive through grants of performance rights to all employees, in conjunction with existing short term incentive plans will ensure our employees are aligned to performance outcomes. These incentive arrangements will ensure retention of our employees and reward them based on achievement of financial milestones which will maximise shareholder returns.

Based on current expectations, continued growth in revenue and profitability is expected in FY14 and beyond. I am pleased to advise that given strong performance in the four months to 31 October 2013, the Company expects to report profit after tax for the six months ending 31 December 2013 to be approximately 40% ahead, subject to foreign currency movements, of the \$22 million in the corresponding period in 2012.

In conclusion, I would like to thank the Board and specifically the Executive Chairman, for their support and guidance, along with the senior leadership team and all our talented and dedicated employees who have contributed to the success and financial results now being achieved on behalf of our shareholders.

Thank you and I will now hand the meeting back to the Chairman.

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For further information please contact:  
Mr Danny Gladstone – CEO/Executive Director  
+1 (702) 778 9000 (Las Vegas, USA)

or

Mr Mark Ludski – CFO/Company Secretary  
Ainsworth Game Technology Limited  
+61 2 9739 8000 (Sydney, Australia)