



NOVOMATIC
GROUP OF COMPANIES



NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT



Your Directors unanimously
recommend that you
VOTE IN FAVOUR
of the Resolution to approve
the Share Transaction, in the
absence of a superior proposal

Friday, 3 June 2016, 9.30am Sydney time (AEST)

Bankstown Sport Club, "Georges River Room",
8 Greenfield Parade (Cnr Greenfield Parade and
Mona Street), Bankstown, NSW 2200.

In relation to approval of the acquisition by
Novomatic AG of 172.1 million ordinary shares for
cash consideration of \$2.75 per share from the
Executive Chairman of the Company, Mr Ainsworth,
and entities controlled by him (Share Transaction).

This Notice of Meeting and Explanatory Statement should be read in its entirety before making a decision as to how to vote at the Meeting. If you have any doubt as to what you should do once you have read this Notice of Meeting and Explanatory Statement, you should consult your legal, financial or other professional adviser. This Notice of Meeting and Explanatory Statement has been prepared in accordance with item 7, section 611 of the Corporations Act 2001, which requires shareholder approval of the Share Transaction. An independent expert's report is provided in Section 12 of the Explanatory Statement. The report concludes that in relation to the Share Transaction which is the subject of the Resolution in this Notice of Meeting, the advantages of the Share Transaction outweigh the disadvantages for the reasons set out in the report. The Explanatory Statement should be read in conjunction with this Notice of Meeting and the rest of the Explanatory Statement.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on 1800 119768 (toll free within Australia) or +61 2 8022 7902 (for callers outside Australia).

IMPORTANT NOTICES

This Notice of Meeting and Explanatory Statement is issued by Ainsworth Game Technology Limited ACN 068 516 665 (AGT or Company).

Purpose of this Notice of Meeting and Explanatory Statement

This document is important. It contains information for Shareholders relating to the Share Transaction. This Notice of Meeting and Explanatory Statement provides Shareholders with necessary information to assist them in deciding how to vote on the Resolution to be considered at the Meeting. This Notice of Meeting and Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of Shareholders or any other person. Accordingly, this Notice of Meeting and Explanatory Statement should not be relied upon as the sole basis for any decision in relation to your vote at the Meeting.

This Notice of Meeting and Explanatory Statement has been prepared in accordance with item 7, section 611 of the Corporations Act 2001, which requires Shareholder approval of the Share Transaction. Further, ASIC Regulatory Guide 74 sets out certain disclosure requirements which have been covered in this document. This includes the requirement to complete an Independent Expert's Report prepared in accordance with ASIC Regulatory Guide 111 assessing the advantages and disadvantages of the Share Transaction. The Independent Expert's Report is included in the Explanatory Statement and should be read in conjunction with this Notice of Meeting and the rest of the Explanatory Statement.

You should read this Notice of Meeting and Explanatory Statement in their entirety before making a decision as to how to vote at the Meeting. If you have any doubt as to what you should do once you have read this Notice of Meeting and Explanatory Statement, you should consult your legal, financial or other professional adviser.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on 1800 119 768 (toll free within Australia) or +61 2 8022 7902 (for callers outside Australia).

Disclaimer as to forward looking statements

Some of the statements appearing in this Notice of Meeting and Explanatory Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which AGT, Novomatic (and their Associates) operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

Some of the risks that Shareholders may be exposed to if the Share Transaction is completed are set out in the Explanatory Statement. None of AGT, the officers or employees of AGT, any persons named in this Notice of Meeting and Explanatory Statement with their consent or any person involved in the preparation of this Notice of Meeting and Explanatory Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Notice of Meeting and Explanatory Statement reflect views held only as at the date of this Notice of Meeting and Explanatory Statement.

Defined terms and other references

A number of defined terms are used in this Notice of Meeting and Explanatory Statement. These terms are explained in section 13 of the Explanatory Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

Unless expressly stated otherwise: all references in this Notice of Meeting and Explanatory Statement to time relate to the time in Sydney, New South Wales; all references in this Notice of Meeting and Explanatory Statement to '\$' 'are references to Australian currency.

Disclaimer as to information

No person is authorised to give any information or make any representation in connection with the Share Transaction which is not contained in this Notice of Meeting and Explanatory Statement. Any information or representation not contained in this Notice of Meeting and Explanatory Statement may not be relied on as having been authorised by AGT or the Directors in connection with the Share Transaction.

Responsibility for information

AGT has prepared, and is responsible for, the AGT Information. Novomatic, and Mr Ainsworth (and each of their respective directors, officers and advisers (as applicable)) do not assume any responsibility for the accuracy or completeness of any of the AGT Information.

Novomatic has prepared, and is responsible for, the Novomatic Information. AGT, and Mr Ainsworth (and each of their respective directors, officers and advisers (as applicable)) do not assume any responsibility for the accuracy or completeness of any of the Novomatic Information.

Mr Ainsworth has provided, and is responsible for, the Mr Ainsworth Information. AGT and Novomatic (and each of their respective directors, officers and advisers) do not assume any responsibility for the accuracy or completeness of any of the Mr Ainsworth Information.

PwC Securities has prepared the Independent Expert's Report and takes responsibility for that report and has consented to the inclusion of that report in this Notice of Meeting and Explanatory Statement. AGT does not assume any responsibility for the accuracy or completeness of the Independent Expert's Report, and nor does its directors, officers and advisers.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Notice of Meeting and Explanatory Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Notice of Meeting and Explanatory Statement.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Notice of Meeting and Explanatory Statement (including those in respect of Novomatic's interest in AGT after completion of the Share Transaction) are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Notice of Meeting and Explanatory Statement.

Privacy

AGT has collected your information from the Share Registry for the purpose of providing you with this Notice of Meeting and Explanatory Statement.

The type of information AGT has collected about you includes your name, contact details and information on your shareholding in AGT. Without this information, AGT would be hindered in its ability to issue this Notice of Meeting and Explanatory Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Your information may be disclosed on a confidential basis to AGT's related bodies corporate and external service providers (such as the Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by AGT, please contact the Share Registry at Computershare Investor Services Pty Limited via the details found on the contact page at www.computershare.com. The registered address of AGT is 10 Holker St, Newington, New South Wales, 2127.

Date

This Notice of Meeting and Explanatory Statement is dated 4 May 2016.

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LETTER TO SHAREHOLDERS

4 May 2016

Dear Shareholders,

I write to you as the Lead Independent Director of Ainsworth Game Technology Limited (AGT).

Your company is facing an important event. On Friday June 3rd, a general meeting of Shareholders will be held. As a Shareholder you will be able to vote on the resolution to approve the sale of Mr Leonard Ainsworth's Shares to Novomatic AG.

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares of a listed company that would cause that person's (or another person's) Voting Power to increase above 20%, unless the acquisition is under an exception of the Corporations Act. Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606 where the acquisition has been approved by a resolution passed by shareholders.

If successful and the conditions of sale are met, Novomatic will acquire 172,100,823 AGT shares, increasing its shareholding from 0.23% to around 52.74%. Therefore, Shareholder approval is required for the Share Transaction to proceed.

The role of the Transaction Committee (made up of the Independent Directors), of which I am Chair, is to lead the Board through the process of the proposed Share Transaction and protect the interests of minority Shareholders. To assist Shareholders in determining how to vote, accompanying this letter and Notice of Meeting is a detailed Explanatory Statement and a report by the Independent Expert, PwC Securities. I encourage you to read both of these documents in full before making any decision.

The Independent Directors recommend you vote in favour of the Resolution in the absence of a superior offer. All of the Directors (other than Mr Ainsworth who is not eligible to vote) intend to vote the Shares they have in favour of the Share Transaction. As Chair of the meeting I also intend to vote undirected eligible proxies in favour of the Resolution.

The Independent Expert has concluded that the advantages of the Share Transaction outweigh the disadvantages. The basis of the Independent Expert's conclusion is set out in section 5.7 of their report.

In summary, we see meaningful synergies and immediate benefits being generated from the successful Share Transaction. The international game technology industry has been consolidating and the size and scale of some of our competitors has increased. Novomatic is one of the world's largest gaming technology groups, and upon the Share Transaction completing, Novomatic intends to support AGT to accelerate our growth and range of opportunities while contributing to our stability and continuity. By forging a strategic relationship with Novomatic, your company will be better placed than it would be otherwise.

Whilst the Independent Directors recommend that you vote in favour of the Share Transaction in absence of a superior offer, and the Independent Expert considers that the advantages of the Share Transaction outweigh its disadvantages, the Independent Directors' also wish to make Shareholders aware of its potential disadvantages. These are set out in section 7.3 of the Explanatory Statement and discussed below.

Shareholders might consider that a superior proposal may emerge or that a takeover bid is unlikely once the partnership with Novomatic is established. Mr Leonard Ainsworth has stated that he is not prepared to accept an offer (including an offer by way of a full takeover for AGT) from any industry participant (other than Novomatic) or a financial buyer. While Mr Ainsworth has indicated that he is potentially open to a 100% takeover by Novomatic, based on Novomatic's statements to date, there is no basis to assume that Novomatic would proceed to a full takeover offer if the Share Transaction is not approved by Shareholders.

The total expected financial benefits from the synergies that can be immediately quantified should result in uplift in profit before tax of approximately \$10.6 million in FY17 and a further \$26.9 million in FY18. As predictions, these are subject to inherent risks and uncertainties so might not be realised but these anticipated figures do exclude the benefits of additional advantages that are either of a qualitative nature or have a longer term value beyond FY18.

Novomatic will continue AGT's commitment to the highest standards of corporate governance and has indicated it is committed to preserving minority protections. They see value in maintaining AGT's listing on the ASX and Novomatic's intention is to maintain its holding at or around the level of its holding at completion and to maintain the Company's current financial and dividend policy, subject to final decisions on these matters being made in light of material facts and circumstances at the relevant time.

As I said at the start of this letter, this is an important event in your Company's development. I encourage you to read the documents and to vote in favour of the Resolution. Put simply, it is the Independent Directors' view that with Novomatic on board, the Company's prospects will improve for the benefit of all Shareholders.

Yours sincerely



Graeme Campbell
Lead Independent Non-Executive Director

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

AINSWORTH GAME TECHNOLOGY LIMITED **ABN 37 068 516 665**

Notice is given that a general meeting of the Shareholders of Ainsworth Game Technology Limited ACN 068 516 665 (**Company** or **AGT**) will be held at the following time and location, and will conduct the business as specified below:

Date: Friday, 3 June 2016

Time: 9:30am (AEDT)

Location: Bankstown Sport Club, "Georges River Room", 8 Greenfield Parade (Cnr Greenfield Parade and Mona Street), Bankstown, NSW 2200

The Explanatory Statement that accompanies and forms part of this Notice of Meeting should be considered by Shareholders prior to voting on the business to be considered at the Meeting.

Terms used in this Notice of Meeting will, unless the context requires otherwise, have the meaning given to them in the glossary of defined terms in section 13 of the Explanatory Statement.

Business

Resolution – Approval for acquisition of shares by Novomatic AG (Novomatic)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of section 611, item 7 of the *Corporations Act 2001* (Cth) and for all other purposes, approval be given for:

- (a) the acquisition of 172,100,823 ordinary shares by Novomatic AG at \$2.75 per share; and
- (b) the current holders of those shares, being Mr Leonard H Ainsworth and entities controlled by him, being restrained for the benefit of Novomatic AG from the disposal of those shares, from the date of this resolution until completion of the acquisition of those shares by Novomatic AG,

and otherwise on the terms set out in the explanatory statement accompanying this notice of meeting."

(Resolution)

Please refer to the accompanying Explanatory Statement for more information.

Voting Exclusion:

The Company will disregard any votes cast on this resolution by Novomatic, Mr Leonard H Ainsworth and any associate of those persons (**Excluded Voters**).

However, the Company will not disregard a vote if:

- (a) it is cast by an Excluded Voter as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by an Excluded Voter because they are chairing the Meeting and the vote is being cast as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Determination of shareholding and voting entitlement for the purpose of the meeting

For the purpose of determining a person's entitlement to vote at the Meeting, shares will be taken to be held by the persons who are registered as Shareholders at 7.00 pm (AEDT) on 1 June 2016.

How to vote

An eligible Shareholder can vote at the Meeting:

- (a) in person;
- (b) by proxy;
- (c) by attorney; or
- (d) by corporate representative (if you are a corporate Shareholder).

A Shareholder will be counted as being present at the Meeting if the Shareholder votes in any of the ways outlined above.

Attendance at the Meeting

All persons attending the Meeting are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the Share Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

Voting in person

If a Shareholder wishes to vote in person at the Meeting, they may attend the Meeting which will be held at 9:30am (AEDT) on Friday 3 June 2016 at Bankstown Sport Club, "Georges River Room", 8 Greenfield Parade (Cnr Greenfield Parade and Mona Street), Bankstown, NSW 2200.

Voting by proxy

A Shareholder entitled to attend and cast a vote may appoint a proxy to attend and vote for the Shareholder. The person appointed as a proxy need not be a Shareholder of the Company and may be an individual or a body corporate. A proxy appointment form accompanies this Notice of Meeting.

Shareholders can direct their proxy how to vote by marking one of the boxes opposite the item of business on the proxy form attached. If the Shareholder does not mark a box on the proxy form, or instruct its proxy on how to vote, the proxy may vote as they choose at the Meeting.

Shareholders should only mark one box (ie, choose either "For", "Against" or "Abstain"). If a Shareholder marks more than one box on the proxy form on an item, their vote will be invalid on that item.

A Shareholder can vote a portion of their voting rights by inserting the percentage or number of securities the Shareholder wishes to vote in the For, Against or Abstain box or boxes on the proxy form attached. The sum of the votes cast must not exceed the Shareholder's voting entitlement or 100%.

If the Shareholder is entitled to cast two (2) or more votes, the Shareholder may appoint two (2) proxies and may specify the proportion or number of the Shareholder's votes each proxy may exercise. If the Shareholder appoints two (2) proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. If the Shareholder appoints two (2) proxies, neither proxy may vote on a show of hands. When appointing a second proxy, a Shareholder should write both names and the percentage of votes or number of securities for each, on the proxy form attached to this Notice of Meeting. An instrument of proxy in which the name of the appointee is not filled in is taken to be given in favour of the Chairman of the Meeting to which it relates.

At the point of entry to the Meeting, a proxy will be admitted and given a voting card upon providing written evidence of their name and address.

The lodging of a proxy form will not preclude a Shareholder from attending in person and voting at the Meeting if the Shareholder is entitled to attend and vote. If the Shareholder votes on the Resolution, their appointed proxy is not entitled to vote and must not vote as that holder's proxy on the Resolution. For the appointment of a proxy to be valid, the proxy form MUST be received by the Company or its Share Registry (details of which are set out in this Notice) at least 48 hours before the time for holding the Meeting. Proxy forms received by the Company after this time will be invalid. Therefore Shareholders who intend to vote by proxy should submit their completed proxy forms by 9.30am on Wednesday, 1 June 2016 in order to ensure their proxy vote is received by the Company or its Share Registry in time to be counted.

Proxy forms may be submitted online or sent by fax or post in the manner set out in this Notice and on the proxy form.

Where the proxy form is executed under a power of attorney, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the proxy form (unless it has already been lodged with the Company). An appointment of attorney received after this time will be invalid.

How the Chairman of the Meeting will vote undirected proxies

Mr Graeme Campbell, being the lead independent non-executive director (or in his absence, another non-executive director) will act as Chair of the Meeting. The Chair's voting intention is to vote undirected eligible proxies **IN FAVOUR** of the Resolution set out in this Notice of Meeting.

A Shareholder can appoint the Chair as proxy with directions to cast that Shareholder's votes contrary to the Chair's stated voting intention on the Resolution, or to abstain from voting on the Resolution. Where a Shareholder appoints the Chair as their proxy but does not direct their vote on the Resolution, the Shareholder will be directing the Chair to vote in accordance with the Chair's clearly stated voting intention.

Voting by attorney

At the point of entry to the Meeting, an attorney will be admitted and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer.

The lodging of a power of attorney will not preclude a Shareholder from attending in person and voting at the Meeting if the Shareholder is entitled to attend and vote. If the Shareholder votes on the Resolution, their appointed attorney is not entitled to vote, and must not vote as that holder's attorney on the Resolution.

In order for the appointment of an attorney to be valid, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the Company at least 48 hours before the time for holding the Meeting. An appointment of attorney received after this time will be invalid.

Voting by corporate representative

To vote at the Meeting (other than by proxy or by attorney), a corporation that is a Shareholder may appoint a person to act as its authorised corporate representative. The appointment must comply with section 250D of the Corporations Act.

At the point of entry to the Meeting, an authorised corporate representative will be admitted and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Lodgement of proxy forms, powers of attorney and authorities

To be effective, duly signed proxy forms, powers of attorney and authorities MUST be received at an address or by fax or email shown below at least 48 hours before the commencement of the Meeting at 9:30am (AEDT) on Friday 3 June 2016. Any forms received after that time will not be valid for the scheduled Meeting. Therefore, Shareholders are encouraged to submit their duly signed proxy forms, powers of attorney and authorities by 9.30am on Wednesday, 1 June 2016 in order to ensure their vote is received by the Company in time to be counted.

Documents may be lodged:

IN PERSON:

Registered Office, Ainsworth Game Technology, 10 Holker Street, Newington, NSW, 2127, Australia

At the Share Registry:

Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW, 2000, Australia

BY MAIL:

Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, VIC, 3001, Australia

BY FAX:

1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia)

ONLINE:

<http://www.investorvote.com.au>

By Order of the Board



ML Ludski

Company Secretary

4 May 2016 – Sydney

1

WHY YOU SHOULD VOTE IN FAVOUR OF THE SHARE TRANSACTION

Explanatory Statement

This Explanatory Statement is intended to provide Shareholders with information to assess the merits of the proposed Resolution in the accompanying Notice of Meeting.

The Independent Directors encourage Shareholders to read the Explanatory Statement in full before making any decision in relation to the Resolution.

1. Reasons for and against the Share Transaction

1.1 Why you should vote IN FAVOUR of the Share Transaction

The key reasons why you should vote **IN FAVOUR** of the Share Transaction are outlined below.

The below is only a headline summary of the benefits to AGT and AGT Shareholders and should be read in conjunction with the detailed information set out in this Explanatory Statement, including further information on the benefits and the applicable assumptions set out in section 7.2 and the potential disadvantages set out in section 7.3 (and noting in particular the inherent risks and uncertainties associated with the forward looking statements included in the below highlights – see section 7.3(b) and the important information section inside the front cover of this document).

1. THE INDEPENDENT DIRECTORS OF THE COMPANY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SHARE TRANSACTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL

The AGT Independent Directors consider that the Share Transaction represents a unique and compelling opportunity for Shareholders that is expected to create synergies and immediate benefits including new attractive growth opportunities and improved profitability.

The AGT Independent Directors unanimously recommend that you vote **IN FAVOUR** of the Share Transaction, in the absence of a superior proposal.

Each AGT Director (other than Mr Ainsworth) intends to vote **IN FAVOUR** of the Share Transaction for any AGT Shares they hold or otherwise control, in the absence of a superior proposal.

2. THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE ADVANTAGES OF THE SHARE TRANSACTION OUTWEIGH THE DISADVANTAGES

The Independent Directors appointed PwC Securities as the Independent Expert to prepare a report providing an opinion as to whether the advantages of the Share Transaction outweigh the disadvantages.

The Independent Expert has concluded that:

The Share Transaction subject to a vote by the Non-Associated Shareholders is the only proposed transaction involving Mr Ainsworth's controlling interest in AGT. Based on his current stated position, he will not accept a takeover offer from any party other than Novomatic. He has stated that he would consider a full takeover offer for AGT from Novomatic, however based on the enquiries made of Novomatic, there is no basis to assume a full takeover offer would be made by Novomatic if the Share Transaction is not approved.

The Independent Expert has therefore concluded that based on the stated intentions of Mr Ainsworth, unless the Non-Associated Shareholders anticipate that Novomatic would structure a transaction on more favourable terms for the Non-Associated Shareholders if the Share Transaction is not approved, the Share Transaction appears the more favourable option available.

Accordingly, the Independent Expert has concluded that the advantages to Shareholders of the Share Transaction outweigh the disadvantages.

The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in section 12 of this Explanatory Statement. AGT Shareholders should carefully review the Independent Expert's Report in its entirety.

3. AGT SHAREHOLDERS ARE EXPECTED TO ENJOY SIGNIFICANT UPLIFTS IN REVENUE AND PROFIT BEFORE TAX IN FY17, FY18 AND BEYOND

The total expected financial benefits that directly result from the Share Transaction that can be immediately quantified should yield an aggregate uplift in revenues of approximately \$23.8 million and \$55.7 million (and corresponding increases in profit before tax of approximately \$10.6 million and \$26.9 million) in FY17 and FY18 respectively.

These figures represent the aggregate of the expected increases in profit before tax expected to result from the Share Transaction (and are further referred to in the highlights set out below). These figures do not account for the benefits of additional advantages that are either of a qualitative nature or have a longer term value beyond FY18.

These figures and the others referred to below are based on certain assumptions and uncertainties set out in more detail in sections 7.2 and 7.3(b) of this Explanatory Statement.

4. PROVIDES AGT WITH ACCESS TO NOVOMATIC'S GAME LIBRARY, WHICH IS EXPECTED TO DRIVE ADDITIONAL REVENUE AND PROFIT GROWTH

Novomatic and AGT will share their significant library of game assets. This arrangement will be for an initial term of 4 years from Shareholder Approval and will have customary and mutual renewal beyond this initial term.

These game assets are the result of significant R&D investment and expertise and have been developed over many years and will allow AGT to save on the substantial costs and time spent in developing these game assets.

AGT expects that with some further development and tailoring of these game assets, AGT will significantly expand the current library of games released and offered to its customers on its various hardware configurations.

Through this increase in game content AGT is expected to increase current revenues in Australasia and North America by approximately \$14.9 million and \$45.0 million in FY17 and FY18, respectively. These estimated increases in revenue are expected to commence in the fourth quarter of FY17 and continue throughout FY18 and beyond. The expected revenue increases have been based on historical experience and the strong link between available content to increased revenue.

It is expected that these gains in units sold will translate into revenue increases for AGT through a greater market share of the estimated annual replacements of gaming machines within Australasia and North America.

To achieve these revenue increases, additional resources will be required. This includes investment in game development, technical compliance and software development departments, as well as additional costs associated with third party testing and approval. This is estimated to double the level of game combinations that will be made available to AGT's customers.

The net result of these additional revenues and costs is expected to achieve additional profit before tax of approximately \$4.0 million and \$16.7 million in FY17 and FY18, respectively.

These revenue increases and incremental earnings form a significant portion of the overall expected uplift in revenue and profit before tax referred to in highlight 3 above.

5. INCREASES AGT'S EXPECTED REVENUE AND PROFITABILITY PROSPECTS THROUGH NEW DISTRIBUTION AGREEMENTS WITH NOVOMATIC

AGT and Novomatic have entered into new binding distribution agreements enabling AGT to access new revenue streams and profits that contribute to the overall expected uplift figures summarised in highlight 3 above.

Subject to Shareholder approval of the Share Transaction and applicable competition law clearance, Novomatic has committed to purchase a minimum of 1000 AGT units each year for 2016 and 2017 (which Novomatic intends to deploy in Novomatic-operated venues).

As a result of this purchase agreement, AGT expects an increase in revenue of an estimated \$4.6 million each year for FY17 and FY18, increasing earnings by around \$3.0 million each year.

In addition to these contractual commitments for the supply of an increased number of kits, AGT expects that further complete units will be required under the established distribution channels in each of FY17 and FY18 while Novomatic transitions its processes to full assembly of supplied kits. The expected revenue increase arising from this is approximately \$4.0 million per annum, resulting in an earnings uplift in these years related to supply of complete machines of around \$2.2 million per annum.

5. INCREASES AGT'S EXPECTED REVENUE AND PROFITABILITY PROSPECTS THROUGH NEW DISTRIBUTION AGREEMENTS WITH NOVOMATIC continued

Furthermore, additional access and distribution rights have been established for AGT to supply Novomatic's current developed products and hardware configurations in AGT's core markets. Based on current market opportunities, AGT expects incremental earnings on these products following completion of the Share Transaction and successful integration between the parties. In particular, subject to completion of the Share Transaction, Novomatic has granted AGT exclusive distribution rights for a number of Novomatic's gaming machine products in Australia, New Zealand and, provided the minimum purchase requirements are met, USA and Canada. AGT will also have non-exclusive distribution rights for these products in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos.

Details of these arrangements are set out in section 5.6.

Financial benefits from these agreements are expected to initially contribute revenue of around \$1.4 million (equating to profit before tax of \$0.9 million) in Q4 FY18, with anticipated revenue and profits for full subsequent periods beyond FY18.

6. ACCESS TO ANTICIPATED COST SAVINGS AND SCALE BENEFITS

Cost savings are anticipated to be available to AGT through joint sourcing, distribution and potentially assembly, as well as from economies of scale. AGT will have access to Novomatic's special sourcing conditions and higher sourcing volumes at lower costs.

As reflected in the overall uplift referred to in highlight 3 above, these cost savings are expected to add a further estimated \$3.4 million in annualised profit before tax commencing in late FY17.

7. ACCELERATES REVENUE AND PROFITABLE GROWTH IN ONLINE AND SOCIAL

The partnership with Novomatic is expected to accelerate the growth of AGT's online and social gaming segments.

AGT expects to leverage its current land-based game titles by making them available through Novomatic's distribution channels in online real money and social gaming. The Novomatic partnership is expected to complement current supply agreements to third parties and provide AGT with incremental revenue and earnings of approximately \$0.3 million in FY17. Based on the minimum supply of 10 games per year for the first 2 years through Novomatic's successfully established distribution channels, this is expected to provide revenue and earnings of approximately \$0.7 million in FY18 with further growth expected in future years. These are the final revenue and earnings aggregated in the expected uplifts summarised in highlight 3 above.

8. PROVIDES ENHANCED ACCESS TO FINANCING IF AND AS REQUIRED

It is expected that the relationship with Novomatic will underpin access to additional financing if and as required on improved terms from those that AGT could source independently. Novomatic is currently the only gaming company with an investment grade rating issued by Standard & Poors in Europe (S&P rating: BBB). AGT should, through the association with Novomatic, enjoy an improvement in its credit rating without the need for an equity injection. Novomatic can potentially also provide financial guarantees for AGT or its banks for large tenders.

9. BUILD A MORE COMPETITIVE AGT TO COMPETE IN CONSOLIDATING MARKETS

With the recent significant level of consolidation within the gaming industry, major competitors have achieved greater size, scale and resources which potentially could affect AGT's current and planned expansion. With Novomatic's shareholding and AGT's consequential access to Novomatic's industry-leading R&D and IP portfolio, AGT should become more competitive.

10. PROVIDES SUCCESSION PLANNING AND ADDITIONAL INDUSTRY EXPERTISE AT BOARD LEVEL

Maintaining the knowledge and experience of AGT's founder, Mr Ainsworth, and finding a complementary partner to build upon the Company's legacy is an important stage in AGT's development. As one of the world's largest gaming technology groups, Novomatic has the capacity to support AGT's continued success.

Mr Ainsworth has indicated that while he intends to continue in his executive role to facilitate the continuity of corporate knowledge, he will work with the AGT Board and Novomatic to implement an appropriate transition to a suitably qualified and experienced independent Chairperson upon or soon after completion of the Share Transaction.

This planned succession of Mr Ainsworth will ensure the continuity and stability of the Board whilst ensuring the achievement of best practice corporate governance processes.

1.2 Why you might vote against the Share Transaction

The below is only a headline summary of the potential disadvantages to AGT and AGT Shareholders and should be read in conjunction with the detailed information set out in this Explanatory Statement, including further information on these set out in section 7.3

1. ALTERNATIVE VIEW

Shareholders may disagree with the unanimous recommendation of the Independent Directors and the CEO and the Independent Expert's opinion that the Share Transaction is advantageous.

2. ADVANTAGES MAY NOT BE REALISED

The advantages outlined in sections 1.1 and 7.2 below include forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the gaming industry as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and Shareholders may disagree with the likelihood of those advantages being realised, based on their own views of value of AGT and expectations about future market conditions and AGT's performance.

3. SUPERIOR PROPOSAL OPPORTUNITY

Shareholders might consider that a superior proposal to the Share Transaction may emerge. However, while the Sale Agreement remains on foot, it will not be possible for any other control transaction to be undertaken as Mr Ainsworth and his Controlled Entities are bound to sell the Sale Shares to Novomatic.

4. A TAKEOVER BID FOR THE COMPANY IS UNLIKELY IN THE FUTURE ONCE THE PARTNERSHIP WITH NOVOMATIC IS ESTABLISHED

Upon completion of the Share Transaction, Novomatic would have a controlling stake in the Company. Shareholders may consider that, despite the current position of Mr Ainsworth having the same controlling stake, this outcome will have an adverse impact on the likelihood of any party other than Novomatic making a takeover bid for 100% of AGT's Shares, or any other control transaction occurring.

5. CHANGES TO NOVOMATIC'S INTENTIONS

A summary of Novomatic's intentions in respect of AGT if the Share Transaction completes is set out in section 5 below, including that Novomatic currently has no current intention to change AGT's financial or dividend policy.

Novomatic's intentions have been formed on the basis of facts and information concerning AGT and the general business environment which is known to Novomatic as at the date of this Explanatory Statement. Novomatic has indicated that final decisions on these matters will be made by it in light of all material facts and circumstances at the relevant time. Accordingly, Novomatic's intentions may change as new information becomes available or as circumstances change.

However, the implementation of any change that Novomatic may seek to make would be subject to the Corporations Act and ASX Listing Rules, particularly in relation to related party transactions and conflicts of interest; and further the legal obligations of the Board to act for proper purposes and in the best interest of Shareholders as a whole.

2

OVERVIEW

QUESTION

ANSWER

What is the Share Transaction? The Executive Chairman of the Company, Mr Ainsworth, and AWI (a company controlled by Mr Ainsworth) entered into an agreement on 23 February 2016 to sell approximately 172.1 million ordinary shares to Novomatic for cash consideration of \$2.75 per share.

Who is Novomatic?

Novomatic is one of the largest gaming technology companies in Europe and boasts a global footprint with leading market positions in Austria, Germany, Italy, Great Britain, the Netherlands and the Central Eastern Europe and South Eastern Europe region.

Novomatic, an integrated gaming company, is both a manufacturer of innovative high-tech gaming equipment and operator with significant land based and online gaming operations. Novomatic is active in all gaming segments including amusement-with-prize (**AWP**), casino, lottery and sports betting, online and mobile.

Why is Shareholder approval required for the Share Transaction?

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares of a listed company that would cause that person's (or another person's) Voting Power to increase above 20%, unless the acquisition is under an exception of the Corporations Act. Item 7 of section 611 of the Corporations Act (**Item 7**) provides an exception to the prohibition in section 606 where the acquisition has been approved by a resolution passed by Shareholders.

The Share Transaction will result in Novomatic increasing its shareholding from 0.23% to around 52.74%.

Therefore, Shareholder approval is required for the Share Transaction to proceed.

What is the voting threshold for the Resolution?

The Resolution is an ordinary resolution, requiring simple majority approval, meaning that more than 50% of the votes cast on the Resolution at the Meeting by Shareholders who are eligible to vote must be cast in favour of the Resolution in order for it to be passed.

Who can vote on the Resolution?

In accordance with the Corporations Regulations 2001 (Cth), the Board has determined that Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the share register at 7pm (Sydney time) on 1 June 2016.

In accordance with Item 7, any votes cast by Novomatic, Mr Ainsworth or their respective associates will be disregarded for the purposes of determining whether the Resolution is passed.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

See the Notice for further information about voting (including proxies) and where and when the Meeting is being held.

Why should Shareholders vote to approve the Resolution?

The Independent Directors believe that the Share Transaction provides a number of compelling benefits to Shareholders as summarised in the highlights described in section 1 at the front of this Explanatory Statement and set out in further detail in section 7.2.

QUESTION	ANSWER
Why might Shareholders consider voting against the Resolution?	Despite the benefits set out above, you might consider voting against the Resolution for reasons including those set out in section 7.3 of this Explanatory Statement.
What is the opinion of the Independent Expert?	PwC Securities, the Independent Expert, has reviewed the Share Transaction and has concluded that the advantages of the Share Transaction outweigh the disadvantages. Further details of the Independent Expert's conclusions can be found in section 3.2 and the Independent Expert's Report appears as section 12 of this Explanatory Statement.
How does the Board recommend that Shareholders vote on the Resolution?	The Independent Directors and the CEO unanimously recommend that Shareholders vote to approve the Resolution, in the absence of a superior proposal. Each Director other than Mr Ainsworth will vote IN FAVOUR of the Resolution in respect of any Shares they hold or control.
What will happen if Shareholders approve the Resolution?	If the Resolution is passed by Shareholders, this will enable the Share Transaction to proceed, provided the other Conditions to the Share Transaction are also satisfied. Further details regarding the status of the other Conditions are set out in section 10 of this Explanatory Statement.
What will happen if Shareholders do not approve the Resolution?	If the Resolution is not passed by Shareholders, the Share Transaction will not proceed and the Sale Agreement will automatically terminate. Further, the likely benefits outlined in this Explanatory Statement resulting from the binding commitments entered into between Novomatic and AGT (which are subject to approval of the Resolution or completion of the Share Transaction) will no longer accrue to the Company.

3

BACKGROUND TO THE RESOLUTION

The Executive Chairman of the Company, Mr Ainsworth, currently controls approximately 54% of the Company's Shares. On 23 February 2016, Mr Ainsworth and AWI entered into an agreement with Novomatic to sell to Novomatic 172,100,823 Shares at a cash price of \$2.75 per Share. Of the 172,100,823 Shares being sold, 157,648,640 are held by Mr Ainsworth directly and the remaining 14,452,183 are held by Mr Ainsworth's Controlled Entities. As a result of the issue of Shares under the Company's recent dividend reinvestment plan, Mr Ainsworth and the Controlled Entities currently hold 3,907,309 Shares that are not the subject of the Share Transaction. The Sellers will therefore (subject to any subsequent sale of these Shares issued under the DRP) continue to hold 1.19% of the Company's issued capital after completion of the Share Transaction. The Share Transaction is subject to various Conditions, including Regulatory Approvals and other consents, and the Shareholder approval the subject of this Meeting. As Novomatic would own approximately 52.74% of the Company's issued capital upon completion of the Share Transaction, Shareholder approval is required under Item 7 to section 611 of the Corporations Act (**Item 7**), as outlined further below.

3.1 Relevant Corporations Act provisions

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares in a company, if as a result of the acquisition, that person's or someone else's Voting Power in the company increases above 20% (or if the relevant person already holds 20% of the Voting Power in the company, increasing that power further above 20% but below 90%).

A person's Voting Power for these purposes means the total number of votes that the person and their associates has a Relevant Interest in, expressed as a percentage of total votes attaching to all voting shares in the entity.

For the purposes of section 606 of the Corporations Act, a person has a Relevant Interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of a power to dispose of, the securities; or
- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

There are a number of exceptions to the prohibition in section 606 of the Corporations Act, including the exception set out in Item 7. Item 7 allows a person to acquire a Relevant Interest in a company's voting shares in excess of the 20% threshold with the approval of shareholders provided:

- (a) no votes are cast in favour of the resolution by the proposed buyer and their Associates or the proposed seller and their Associates; and
- (b) the members of the company were given all information known to the proposed buyer or their Associates, or known to the company, that was material to the decision on how to vote on the resolution, including:
 - (i) the identity of the person proposing to make the acquisition and their Associates;
 - (ii) the maximum extent of the increase in that person's and each of their Associates' voting power in the company that would result from the acquisition; and
 - (iii) the voting power that person and each of their Associates would have as a result of the acquisition.

A person will only be considered an Associate of another person if provided for under sections 11-17 of the Corporations Act.

Consideration as to any Shareholders being Associates of Mr Ainsworth and his Controlled Entities, and therefore as to who can vote in respect of the Resolution, is set out in section 7.4.

The purpose of the Resolution is to seek approval from Shareholders under Item 7 to allow Novomatic to acquire a Relevant Interest in more than 20% of the total Shares in the Company.

3.2 Independent Expert's Report

To assist Shareholders in their consideration of the Share Transaction, the Independent Directors commissioned the Independent Expert to prepare an Independent Expert's Report in relation to the Share Transaction. A copy of the Independent Expert's Report is included in section 12 of this Explanatory Statement and should be read carefully by Shareholders.

The Independent Expert's Report summarises its opinion as follows:

- (a) The Sellers are receiving a control premium that is not being offered to other AGT Shareholders.
- (b) AGT and Novomatic are a logical commercial fit and the proposed collaboration between the two businesses has the potential to generate significant value.
- (c) A commercial framework has been established to facilitate collaboration between AGT and Novomatic following the Share Transaction.
- (d) The Independent Directors project significant benefits will be realised by AGT as a result of the commercial arrangements for collaboration between AGT and Novomatic following the Share Transaction.
- (e) The Share Transaction deters the making of a takeover bid for AGT.
- (f) If the Share Transaction is not approved, the currently stated position of Mr Ainsworth prevents a control transaction (other than a possible 100% takeover by Novomatic) involving any other party. There is no basis to anticipate whether Novomatic would make an alternative offer.
- (g) If the Share Transaction is not approved, the default assumption is that AGT would continue as an independent listed company controlled by Mr Ainsworth and ultimately his executors.
- (h) There is a further transaction between the Vendor and Novomatic. However, it is not considered significant in the context of the Share Transaction.
- (i) The Share Transaction reflects the objectives of the controlling Shareholder for AGT to remain an independent listed company.
- (j) The Share Transaction is the only proposed transaction involving Mr Ainsworth's controlling interest in AGT. Based on his current stated position, Mr Ainsworth will not accept a takeover offer from any party other than Novomatic. He has stated that he would consider a full takeover offer for AGT from Novomatic, however based on the enquiries made of Novomatic, there is no basis to assume a full takeover offer would be made by Novomatic if the Share Transaction is not approved.
- (k) Unless the minority Shareholders anticipate that, if the Share Transaction is not approved, Novomatic would structure a transaction on terms more favourable to minority Shareholders, the Share Transaction appears the more favourable option available based on the stated intentions of Mr Ainsworth.

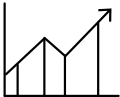





Accordingly, the Independent Expert has concluded that the advantages of the Share Transaction outweigh the disadvantages.

4

ABOUT NOVOMATIC

4.1 History and overview

Novomatic was founded in 1980 by Johann F. Graf under whose vision the company has grown to become a market leader in both gaming technology and gaming operations. With a turnover of more than EUR 3.9 billion in 2015 and leading positions in European markets including Austria, Germany, Italy, Great Britain, the Netherlands and Central Eastern Europe and South Eastern Europe as well as selected Latin American markets, the Novomatic group of companies is one of the largest integrated group of companies in the international gaming industry. Today the group employs around 24,000 people worldwide, comprises affiliated companies in 50 countries and exports high tech gaming equipment to more than 80 countries. The company has broad R&D capabilities that drive its industry leadership and these are mirrored in more than 3,600 registered IP rights, including over 700 patent applications granted and over 680 patents pending, and an R&D infrastructure with 21 technology centres in 13 countries.

	Revenues 2015 5,800mn AUD		Employees 24,000 globally
	Gaming units 250,000 own-operated & third-party operated		Export 98% rate
	Registered 23mn online customers		Registered > 3,600 IP-rights

4.2 Novomatic's brands and products

Today Novomatic has an extensive portfolio of gaming cabinets that are designed and produced by members of the Novomatic group of companies. Novomatic's successful game portfolio is being continually expanded with around 300 new game versions each year. The existing library of games includes blockbuster titles such as Book of Ra, Lucky Lady's Charm, Sizzling Hot and Dolphin's Pearl.



Novomatic's overall product portfolio is complemented by an extensive online gaming offering carried out by Novomatic's wholly-owned subsidiary, Greentube Internet Entertainment Solutions GmbH. Novomatic also provides a range of other products including player protection systems, casino management and online monitoring systems as well as video content delivery systems.

4.3 An integrated gaming company

With around 1,600 own-operated gaming venues, including live casinos, electronic casinos and sport betting shops, Novomatic is the European market leader in the operation of gaming venues. Among its more than 30 live casinos are the most profitable casinos in Germany and the Czech Republic as well as other successful casinos in Switzerland, Lithuania, Gibraltar, Macedonia and Slovakia. In total more than 250,000 Novomatic gaming units are operated in Novomatic gaming venues or rented to third party gaming venues, which includes around 39,000 Video Lottery Terminals (VLT).



4.4 A commitment to corporate social responsibility

Novomatic shares AGT's commitment to corporate social responsibility, especially to responsible gaming and corporate governance best practice recommendations. Novomatic maintains gaming licences in some of the strictest jurisdictions in the world and is committed to industry best practice for regulatory compliance and social responsibility.

Novomatic is looking to establish a strategic partnership with AGT that will enable both companies to grow their global footprint.

4.5 Novomatic's Voting Power in the Company

Novomatic currently holds 737,727 shares in the Company (which represents Voting Power of around 0.23%).

If the Resolution is passed by Shareholders, upon completion of the Share Transaction, Novomatic will acquire approximately 172.1 million shares in the Company and the Voting Power of Novomatic and its Associates will increase to 52.74%, based on 327,716,274 Shares on issue as at the date of the Notice of Meeting.

The effect of the Share Transaction on the Voting Power of Novomatic and its Associates is summarised in the following table:

SHAREHOLDER	CURRENT POSITION		POSITION AFTER THE SHARE TRANSACTION	
	NO. OF SHARES HELD	VOTING POWER (%)	NO. OF SHARES HELD	VOTING POWER (%)
Novomatic (including its Associates)	737,727	0.23	172,838,550	52.74
Mr Ainsworth and his Controlled Entities	176,008,132	53.71	3,907,309	1.19
Other Shareholders	150,970,415	46.07	150,970,415	46.07
Total	327,716,274	100*	327,716,274	100

*Excluding the effect of a rounding difference in the percentages making up this total

5

NOVOMATIC'S INTENTIONS IN RELATION TO THE COMPANY

5.1 Intention to change the business of AGT

Novomatic has indicated that its intentions for the business are consistent with that of the current Board of AGT. Novomatic supports the Board's strategy to build a larger, diversified and more profitable international game technology company.

Novomatic has further stated it supports maintaining AGT's listing on ASX and its current Board and executive management teams staying in place. Novomatic intends to nominate one additional director on completion of the Share Transaction to be approved for appointment by the AGT Board and may appoint additional Directors after that, subject to Regulatory Approvals and AGT's corporate governance commitments.

Novomatic's proposed nominee director is Novomatic's CEO, Mr Harald Neumann, whose qualifications are set out in section 11.2.

5.2 Intention to inject further capital

Based on Novomatic's understanding of AGT's capital requirements, Novomatic has indicated it has no present intention of injecting further capital into AGT.

5.3 Future employment of AGT employees

Novomatic has indicated it has no present intention of seeking to vary existing AGT employee arrangements.

5.4 Transfer of assets between AGT and Novomatic (or its Associates)

Novomatic has indicated it has no present intention to transfer material assets between Novomatic and AGT and no intentions to otherwise seek to redeploy the fixed assets of AGT. Any such transfer of material assets would be required to comply with the related party transaction provisions of the Corporation Act and Chapter 10 of the ASX Listing Rules relating to transactions with persons in a position of influence.

5.5 Financial and dividend distribution policies

Novomatic has indicated it has no intention to significantly change the financial or dividend distribution policies of AGT.

5.6 Binding agreements between Novomatic and AGT

Subject to Shareholder approval of the Share Transaction and applicable competition law clearance, Novomatic has committed to:

- (a) purchase at least 1,000 AGT kits (each kit comprising one whole Ainsworth slot machine complete with game, hardware, software and game licences) each year for 2016 and 2017 (which it intends to deploy in Novomatic-operated venues);
- (b) enter into a non-exclusive development and licence agreement whereby Novomatic agrees to distribute a minimum of 10 of AGT's games on its worldwide online platforms in each of the first 2 years after the effective date of the development and licence agreement; and
- (c) enter into a mutual non-exclusive licence agreement whereby Novomatic and AGT agree to licence their respective game content for use in each company's own range of gaming machines.

Subject to completion of the Share Transaction, Novomatic has committed to:

- (a) grant AGT exclusive distribution rights for Novomatic's multiplayer roulette machines in Australia and New Zealand;
- (b) grant non-exclusive distribution rights for Novomatic's multiplayer roulette machines in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos;
- (c) grant AGT exclusive distribution rights for Novomatic's casino, hotel and club slot machine, VLT, AWP and limited payout machine products in Australia and New Zealand;

- (d) grant AGT exclusive distribution rights Novomatic's casino slot machine products in Canada (exclusivity being subject to a minimum purchase level);
- (e) grant AGT non-exclusive distribution rights for Novomatic's casino slot machine products in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos; and
- (f) grant AGT exclusive distribution rights for Novomatic's Class II and Class III slot machine products in the United States (exclusivity being subject to a minimum purchase level).

5.7 Other intentions

Novomatic has further confirmed to the Company that, in general terms, it intends to:

- (a) maintain its holding at around 53%;
- (b) support the current Board and management team, with Mr Ainsworth remaining as Chairman until completion or shortly thereafter and Novomatic nominating one additional director (subject to Regulatory Approval, AGT Board approval and the Company's corporate governance commitments) (see section 6 for more details);
- (c) maintain the Company's listing on the ASX (as this facilitates access to capital for further growth and provides higher public and investor awareness and reputation);
- (d) support the Company by providing significant game development and other intellectual property to the Company;
- (e) work with the Company on a global distribution and marketing strategy after completion of the Share Transaction;
- (f) seek to realise cost synergies through sourcing of production materials from Novomatic's affiliate companies, sharing research and development facilities and know-how, combining assembly processes and joint purchasing arrangements with third party suppliers; and
- (g) connect the Company with additional funding sources, including institutional investors highly interested in investment opportunities with the Company.

Further details of how Novomatic intends to contribute to the growth of AGT are set out in section 6.

Novomatic's intentions have been formed on the basis of facts and information concerning AGT and the general business environment which is known to Novomatic as at the date of this Explanatory Statement. Novomatic has indicated that final decisions on these matters will be made by it in light of all material facts and circumstances at the relevant time. Accordingly, the statements above are statements of current intention only, which may change as new information becomes available or as circumstances change.

6

REASONS FOR THE SHARE TRANSACTION

Novomatic and AGT share a similar history in the gaming industry. Johann F. Graf and Mr Ainsworth, the respective founders of both companies, have remained an active presence and source of knowledge throughout each company's development. Novomatic's strong interest in AGT is motivated by a desire to carry on the legacy of Mr Ainsworth and to capture the opportunities that the combination of Novomatic and AGT represents. The following section sets out the reasons for the Share Transaction, and the background to the Independent Directors' recommendation of the Share Transaction, in more detail.

6.1 Succession and continuity

While acknowledging the invaluable contribution of Mr Ainsworth and his historic role in revolutionising the world gaming industry, the Independent Directors also recognise the importance to existing Shareholders of executing a considered succession plan to ensure the long-term stability and growth of the Company. If the Share Transaction is approved, AGT intends to observe and satisfy the ASX Principles, including the appointment of an independent Chairperson and maintaining a majority of independent directors on the Board.

Mr Ainsworth will remain the Chairman until completion of the Share Transaction, following which he will work with the AGT Board and Novomatic to implement an appropriate transition to a suitably qualified and experienced independent Chairperson upon or soon after completion of the Share Transaction. Mr Ainsworth has indicated he intends to continue in his executive role so as to facilitate the continuity of corporate knowledge and ensure his considerable experience is passed on. It is further intended that a majority of independent directors on the AGT Board would be maintained. Subject to Regulatory Approvals, AGT Board approval and compliance with the ASX Principles, Novomatic will seek to nominate its CEO, Mr Harald Neumann, to the AGT Board following completion of the Share Transaction. Details of Mr Neumann's qualifications are set out in section 11.2.

Novomatic is supportive of AGT's succession plan and further details of Novomatic's commitment to AGT's corporate governance goals are set out in section 6.7.

Novomatic has also expressed its intention to preserve the independent character of AGT, including maintaining AGT's listing on the ASX and retaining AGT's existing Directors and management team. Novomatic values AGT's unique product offerings and believes its partnership with AGT will promote diversity and creativity to the benefit of AGT's Shareholders.

The strategic partnership with Novomatic provides the opportunity for AGT to continue to prosper beyond the stewardship of Mr Ainsworth as its Executive Chairman whilst ensuring stability and continuity in corporate knowledge. Shareholders have the unique opportunity to choose Novomatic as a key strategic partner to further the Company's successful international growth strategy and push into new segments such as online and social gaming. The Independent Directors believe that Novomatic offers unique experience and capacity to support these ambitions.

6.2 Significant growth opportunities

Around 6 years ago, AGT committed to a long-term strategy of building a stronger, more diversified and profitable global gaming and technology group. The Company has since pushed itself into large international markets, particularly the Americas. AGT has invested heavily in improving the quality of its earnings by developing a larger participation business generating recurring revenues, investing in new licences and promoting innovation across the online and social gaming businesses.

The Company has made real progress on executing this strategy, with 6 consecutive years of profit growth. International revenues now represent over 61% of the group's total revenues and profits from international operations (which were primarily driven by strong sales in the Americas) grew by 58% to \$66.8m in FY2015. AGT is looking to build upon these successes and access new countries and segments where it sees significant opportunities. In this regard, Novomatic is strongly positioned, as a company with a global footprint, shared values and know-how, to assist AGT's international growth strategy.

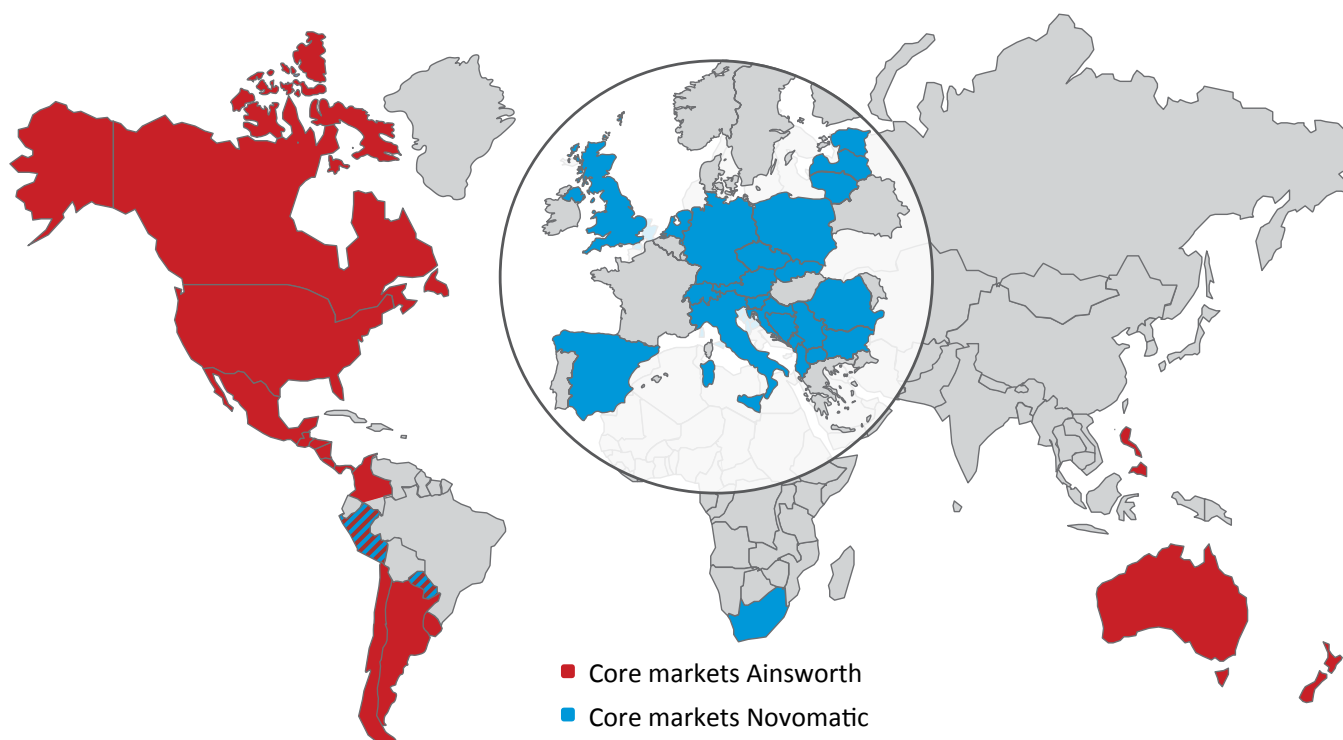
In addition, as with all leading technology companies, AGT invests in research and development to provide its customers with greater diversity and innovative product offerings. This commitment to research and development is shared by Novomatic, who brings an impressive catalogue of product offerings and a demonstrated history of investing in research and development. AGT and Novomatic share a common vision that the key to growth is through providing a compelling product to consumers. The Share Transaction, on approval, will allow AGT Shareholders to benefit from the depth of experience and research that Novomatic has amassed in overseas markets and in regions complementary to where AGT currently operates. This will assist AGT to accelerate the development of a strong pipeline of innovative and diversified products that will sustain future sales.

Novomatic has expressed its support of AGT's growth strategies and, for the reasons outlined below, is, in the Board's view, an ideal partner to assist AGT in realising its growth plans.

6.3 A logical fit that creates a global gaming powerhouse

Novomatic is a complementary strategic partner with the ability to open access to the European market and expand AGT's global reach through synergies that support the Company's existing international growth strategy. Novomatic is one of the largest gaming technology companies in Europe and boasts a global footprint with leading market positions in Austria, Germany, Italy, Great Britain and the Netherlands. Its strength in Europe complements AGT's key markets which include Australia, New Zealand, South East Asia and the Americas. There is very little overlap between the two companies' geographical profiles and the resultant potential for cross-selling each other's products to their respective customer bases represent a growth opportunity.

The core markets of Ainsworth and Novomatic



The highly complementary nature of the two companies' product offerings further enhances the attractiveness of this strategic partnership. AGT is well positioned to leverage off Novomatic's more extensive product offerings in entering into new gaming segments. Combining forces in this manner is expected to create a global gaming powerhouse and allow AGT to remain competitive in an increasingly consolidating gaming industry.










Novomatic and AGT have already entered into binding agreements which will crystallise some of the expected benefits of the partnership. In particular, subject to Shareholder approval of the Share Transaction and applicable competition law clearance, Novomatic has committed to:

- (a) purchase at least 1,000 AGT kits (each kit comprising one whole Ainsworth slot machine complete with game, hardware, software and game licences) each year for 2016 and 2017 (which Novomatic will seek to deploy in Novomatic own-operated venues;
- (b) enter into a non-exclusive development and licence agreement whereby AGT's game content will be distributed on Novomatic's successful online platform "Greentube", which has around 23 million registered customers, in each of the first 2 years after the effective date of the agreement; and
- (c) enter into a mutual non-exclusive licence agreement whereby Novomatic and AGT agree to licence their respective game content for use in each company's own range of gaming machines in specific territories.

In addition, subject to completion of the Share Transaction, Novomatic has also committed to:

- (a) grant AGT exclusive distribution rights for Novomatic's multiplayer roulette machines in Australia and New Zealand;
- (b) grant AGT non-exclusive distribution rights for Novomatic's multiplayer roulette machines in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos;
- (c) grant AGT exclusive distribution rights for Novomatic's casino, hotel and club slot machine, VLT, AWP and limited payout machine products in Australia and New Zealand;
- (d) granting AGT exclusive distribution rights for Novomatic's casino slot machine products in Canada (exclusivity being subject to a minimum purchase level);
- (e) granting AGT the non-exclusive distribution rights for Novomatic's casino slot machine products in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos; and
- (f) grant AGT exclusive distribution rights for Novomatic's Class II and Class III slot machine products in the United States (exclusivity being subject to a minimum purchase level).

In addition to Novomatic's specific commitments described above and in sections 6.4 and 6.5 below, AGT intends to conduct a general review of AGT's business and operations together with Novomatic to identify areas of further potential collaboration. The primary intention of this review will be to determine how AGT can best maximise the value of Novomatic's experience, global network and vast intellectual property portfolio. While AGT and Novomatic do not have any particular intentions in relation to this review or its outcomes (other than the binding agreements described above), the current expectation is that the review may identify opportunities for potential collaboration on complementary product offerings as set out in the following table:

PRODUCT SEGMENTS	AINSWORTH	NOVOMATIC	POTENTIAL COLLABORATION
Gaming machines 	<ul style="list-style-type: none"> Current portfolio of cabinets including the models: A560SL, A560ST, A560DS, A560LB A600DS – Class III markets A560N DS – Class II markets 	<ul style="list-style-type: none"> Current cabinet portfolio include amongst others Dominator (Curve), range of VIP cabinets, Imperator, Novostar SL 1 / 2 / 3, Executive SL Cabinets for all segments i.a. casino, AWP, VLT, sports betting, Thin Clients Multi-player terminals (incl. multi-player roulettes) 	<ul style="list-style-type: none"> Agreement to purchase at least 2,000 Ainsworth kits within a 2-year period AGT to be exclusive distributor in Australia and New Zealand and, provided the minimum purchase requirements are met, USA and Canada, and non-exclusive distributor in certain Asian countries for particular slot machine products AGT to be exclusive distributor in Australia and New Zealand and non-exclusive distributor in certain Asian countries for Novomatic multi-roulette gaming machines
Online 	<ul style="list-style-type: none"> Part owner of Social Gaming company Digital616 Real Money Remote Gaming Server (RGS) providing Ainsworth content to third party distribution channels HTML online and mobile game platform for PC, Apple and Google devices 	<ul style="list-style-type: none"> Full-service provider in online, mobile and social gaming segments Vast expertise in the development and operation of interactive gaming solutions Novomatic's online services not yet offered in the Australian B2B and B2C online landscape 	<ul style="list-style-type: none"> AGT to develop and deliver content for use in remote gaming on all B2B and B2C platforms of Novomatic's wholly owned subsidiary, Greentube
Gaming content 	<ul style="list-style-type: none"> Casino style high volatile games Class II and III USA content expertise Predominately 20, 25, 40, 50, & 100 lines games Multi-games offer Stand Alone and Link Progressives, both Symbol and Mystery driven 	<ul style="list-style-type: none"> High volatility games Best-in-class low line games Comprehensive multi-games offer Numerous blockbuster games in core markets 	<ul style="list-style-type: none"> Know-how exchange / transfer Licensing agreements Integration and exchange of game content
Server based gaming 	<ul style="list-style-type: none"> Bingo based gaming system for Class II gaming machines 	<ul style="list-style-type: none"> Comprehensive server based and server supported gaming offer in different segments (Casino / AWP / VLT) Hardware, software and systems 	<ul style="list-style-type: none"> Licensing agreements
VLT & lottery 		<ul style="list-style-type: none"> Market leading VLT systems Vast experience in the execution of large scale VLT projects Leading omnichannel solutions for online, mobile and retail 	<ul style="list-style-type: none"> Licensing agreements
Sport betting 		<ul style="list-style-type: none"> Sports betting terminals Sports betting outlets Hardware and software 	<ul style="list-style-type: none"> Licensing of sport betting terminals in Ainsworth's core markets
Additional gaming equipment 	<ul style="list-style-type: none"> Service maintenance operations within NSW Proprietary Link Controller with mixed mode operations- symbol driven and mystery support as well as WAN remote management and redundancy support Ancillary products (e.g. signs, media player, graphics controller, etc.) 	<ul style="list-style-type: none"> Jackpot systems Accounting and casino management systems Player tracking Biometric solutions Cash machines Ancillary products (e.g. signs, video systems, etc.) 	<ul style="list-style-type: none"> Licensing agreements

6.4 Dual strategy to drive stronger earnings

Novomatic is a vertically integrated manufacturer and operator of gaming technology. Around 46,500 of Novomatic's gaming terminals in operation are operated by group-owned gaming facilities including casinos, sports betting outlets and electronic casinos. This dual strategy has proven a major factor in the company's success story by driving stronger earnings and will present a number of benefits for AGT following completion of the Share Transaction.

In particular, Novomatic's partnership with AGT will open opportunities for AGT to access Novomatic's extensive distribution networks, especially in the European market, which has been so far relatively untouched by AGT. As described above, Novomatic has already agreed with AGT on terms to purchase at least 1,000 AGT kits each year for 2016 and 2017.

Moreover, additional follow-on plans for the deployment of further Ainsworth units over the medium term are currently being considered. Initiatives such as this will not only generate short term revenue growth, but are also likely to increase AGT's recognition and acceptance in unexplored markets and thereby generate future demand for AGT's own gaming technology. Novomatic's gaming operations cover a full spectrum of casinos, slot casinos, slot arcades, betting outlets and pubs. These facilities will provide a useful test market for AGT's gaming products.

6.5 Exchange of intellectual property and research and development capabilities

AGT makes investments into leading technology to provide our customers with greater diversity and innovative product offerings. The release of the A600™ this year marked the culmination of that commitment to research and development. To complement the release of the A600™, AGT also has a pipeline of innovative games to drive strong sales and profit growth.

Novomatic shares AGT's customer-focused commitment to research and development. Novomatic has a strong reputation for developing innovative high-tech gaming equipment and content. Its dedication to continuous research and development is mirrored in the more than 3,600 registered intellectual property rights Novomatic has and its 21 technology centres. This shared innovation vision is one of the key pillars of Novomatic's substantial investment in AGT.

As described in section 6.3, Novomatic and AGT have agreed on terms to distribute some of AGT's remote gaming content through Novomatic's online platform and are excited to explore other opportunities to collaborate and exchange know-how.

Novomatic also has expertise in product areas where AGT is looking to expand. In particular, Novomatic is a leader in server-based gaming and is a full-service online, mobile and social gaming provider. AGT has invested in new licences and business in the online and social gaming segment and these investments are expected to provide complementary revenue gains in future periods. Novomatic's world-class online platform and experience in these areas will be valuable to growing these key businesses.

6.6 Synergies and financing

In addition to the expected revenue growth from greater market access and cross-selling opportunities described in section 6.3, the strategic partnership is expected to generate cost synergy opportunities. To achieve these synergies, Novomatic would seek to cooperate with AGT on:

- sourcing of production materials manufactured by Novomatic's affiliate companies;
- grant mutual access to research and development facilities via licensing and service agreements;
- joint assembly processes for certain geographical regions; and
- joint purchase arrangements of third party products.

Novomatic also has access to the capital market with bonds listed on the Vienna Stock Exchange and is also currently the only gaming company with an investment grade rating issued by Standard & Poors in Europe. This should allow AGT to benefit from access to finance on competitive terms or rely on financial guarantees backed by Novomatic to undertake significant projects. Novomatic will also leverage its financing relationships to assist AGT in securing necessary funding for certain projects. Should equity funding be required, all AGT Shareholders at that time will be able to participate on a pro-rata basis, unless the Shareholders other than Novomatic agree otherwise.

6.7 Supporting corporate governance

AGT's Board and management strongly support the principles of good corporate governance. Corporate governance is particularly important given the highly regulated nature of the industry within which the company operates and is essential for securing new gaming licences and protecting current licences.

Novomatic shares, and has expressed support for, AGT's commitment to high standards of corporate governance. Novomatic operates on a global scale, with licences in some of the strictest jurisdictions in the world. Novomatic's supervisory board has a special "Ethics and CSR Committee" which receives regular reports from the group's CSR department and the CEO. Among other things, the group CSR department is responsible for maintaining best practice standards with an emphasis on corporate governance and compliance, responsible gaming, data privacy, employee wellbeing and diversity. Accordingly, Novomatic is accustomed and committed to AGT's continuous improvement of its already established compliance culture.

Novomatic also supports AGT's commitment to observe and comply with the ASX Principles. As outlined in section 6.1, the existing AGT Directors will remain on the Board, with Mr Ainsworth retaining his position as Chairman until completion of the Share Transaction or soon after, following which it is expected he will continue to contribute to the Company as an executive director. Following completion of the Share Transaction, it is the intention of the AGT Board to work with Mr Ainsworth and Novomatic to implement an appropriate transition to a suitably qualified and experienced independent Chairperson upon or soon after completion of the Share Transaction. It is further intended that a majority of Independent Directors on the AGT Board would be maintained. Novomatic will nominate one new non-executive Director to the Board as its representative.

This transition plan aims to ensure that the experience and knowledge of Mr Ainsworth is maintained and will also provide for an opportunity to refresh the board with a Novomatic director who brings new perspectives and deep, international experience.

The qualifications of the proposed director nominated by Novomatic are set out in section 11.2 below.

Novomatic may also seek to appoint an additional non-executive director after completion of the Share Transaction, provided that the AGT Board composition maintains a majority of Independent Directors. All such nominations will be subject to Regulatory Approval, approval of the AGT Board, the Corporations Act and the constitution of AGT.

6.8 Novomatic's commitment to regulatory compliance and minority protections

Novomatic recognises the importance of protecting the interests of minority Shareholders. Novomatic intends to comply with all applicable laws and the ASX Listing Rules in relation to any of its dealings between AGT and Novomatic, including to:

- (a) comply with the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and "related party" transactions, obtaining where necessary the approval of other AGT Shareholders and independent expert advice;
- (b) comply with applicable laws relating to conflicts of interest for directors and directors' exclusion from voting in relation to matters considered by the AGT Board;
- (c) comply with the legal obligation of the AGT Directors to act in good faith in the best interests of AGT and for proper purposes and to have regard to the interest of AGT Shareholders as a whole;
- (d) comply with the constitution of AGT;
- (e) comply with necessary third party, regulatory and governmental consents and approvals; and
- (f) support AGT's access to independent legal and financial advice on material dealings with Novomatic to determine whether terms are fair and reasonable and to ensure they are at arm's-length.

Novomatic intends that the Directors of AGT nominated by it will at all times act in accordance with their fiduciary duties and ensure that all requisite Shareholder approvals and other legal requirements are complied with in pursuing any of the intentions or plans outlined in this Explanatory Statement. These requirements may involve the approval of minority Shareholders to implement any particular objective. The requirement to have regard to those fiduciary duties and the possible requirements of minority Shareholder approval may prevent the particular objective being achieved. It should be noted that AGT has not currently identified any particular initiative where these considerations may be relevant.

7

CONSIDERATION OF THE SALE BY THE BOARD

7.1 Background

As the Company is not party to the Sale Agreement, the Company and the Board's role is limited to assessing whether the Share Transaction should be recommended to the minority Shareholders.

In the context of this background and the further arrangements with Novomatic detailed in section 6, the Independent Directors have considered the proposed Share Transaction and set out below their views as to the advantages and disadvantages of the Share Transaction.

7.2 Advantages

AGT's Independent Directors and management team see significant ADVANTAGES flowing from the proposed Share Transaction for AGT's minority Shareholders and in the absence of a superior offer recommend Shareholders vote in favour of the Resolution to approve the Share Transaction.

The Independent Directors believe that the Share Transaction will result in AGT enjoying significant uplifts in revenue and profit before tax in FY17, FY18 and beyond. The total expected financial benefits directly resulting from the Share Transaction that can be immediately quantified should yield an aggregate uplift in revenues of approximately \$23.8 million and \$55.7 million (and corresponding profit before tax of around \$10.6 million and \$26.9 million) in FY17 and FY18 respectively. These figures do not take into account the benefits of additional advantages that are either of a qualitative nature or have a longer term value beyond FY18. These expected benefits are based on an assumption that the binding agreements between AGT and Novomatic described in section 5.6 (or the longer form equivalent replacement agreements) remain on foot over FY17 and FY18 and beyond.

The major component (around 62%) of the significant expected FY18 profit uplift is likely to result from increased revenues anticipated from access to Novomatic's expanded game library and AGT's ability to sell these additional games in its core markets.

This benefit highlights what the Board believes to be the key value of the Share Transaction to AGT's minority Shareholders. AGT will be able to access Novomatic's expansive game library and, based on AGT's deep experience and expertise in game development, successfully tailor and then deploy an increased number of games across its markets. This is expected to create additional revenues and profits. Comment on the uplifts to revenue and profits anticipated by the Independent Directors are set out in section 5.2 of the Independent Expert's Report.

Further details regarding the basis of the Board's view of the advantages are set out below.

(a) Provides AGT with access to Novomatic's game library, which is expected to drive additional revenue and profit growth

Mutual access to Novomatic's and AGT's significant library of game assets will be made available to each party.

These game assets are the result of significant R&D investment and expertise and have been developed over many years. They have been successfully integrated in their respective gaming operations and drive the commercial success of both companies.

AGT expects that through further development and tailoring of these game assets AGT can increase its current revenues in Australasia and North America. AGT expects it can increase its share of the estimated annual replacements of gaming machines by an estimated 5% and 2.5%, respectively. These estimated increases in revenue are expected to commence in the fourth quarter of FY17 and continue in FY18 and beyond.

The expected revenue increases have been based on historical experience and the strong link between available content to increased revenue. It is expected that these gains in units sold will translate into revenue increases for AGT of approximately \$14.9 million and \$45.0 million in FY17 and FY18, respectively.

These anticipated revenue increases assume that AGT will successfully expand its available games based on the Novomatic library, that such expansion will lead to an increase in unit sales and that there are no significant market changes to pricing. Further, to achieve these revenue increases, additional resources will be required within game development, technical compliance and software development departments, together with additional costs of associated third party testing and approval on an increased level of game combinations.

The net results of these additional revenues and costs should create additional profits before tax of around \$4.0 million and \$16.7 million in FY17 and FY18, respectively. These incremental earnings are expected to continue beyond FY18.

(b) Increases AGT's expected revenue and profitability prospects through new distribution agreements with Novomatic

AGT and Novomatic have entered into new binding distribution agreements enabling AGT to access new revenue streams and profits that contribute to the overall expected uplift figures summarised above.

Novomatic and AGT operate in complementary core markets. Novomatic primarily operates within the European markets. AGT has focused on expanding its footprint within the core gaming markets of Australasia, Asia and the Americas. AGT currently has minimal presence within the UK and European markets and operates through distribution arrangements with Ainsworth (UK) Ltd (**AUK**).

Subject to Shareholder approval of the Share Transaction and applicable competition law clearance, Novomatic has committed to purchase a minimum of 1,000 AGT kits each year for 2016 and 2017 (which Novomatic intends to deploy in its venues).

AGT expects to gain a resulting increase in revenue of \$4.6 million each year for FY17 and FY18, increasing earnings before tax by approximately \$3.0 million each year.

These revenue and earnings are in addition to current minimum commitments contracted for through the distribution agreement with AUK. It is expected that following initial establishment of the "Ainsworth" brand within Novomatic's leading position in European markets, these revenues are expected to continue over ensuing years.

In addition, assuming that Novomatic will look to commence supplying A600™ machines in FY17, the Company expects to supply an additional 250 complete gaming machine to Novomatic for deployment in its venues while Novomatic transitions its processes to full assembly of supplied kits. The expected revenue increase arising from this is approximately \$4.0 million per annum, resulting in an earnings uplift in FY17 and FY 18 related to supply of complete machines of around \$2.2 million per annum.

Additional access and distribution rights have been established for AGT to supply Novomatic's current developed products and hardware configurations in AGT's core markets. Based on current market opportunities AGT expects incremental earnings on these products following completion of the Share Transaction and successful integration between the parties.

In particular, subject to completion of the Share Transaction, Novomatic has granted AGT exclusive distribution rights for a number of Novomatic's gaming machine products in Australia, New Zealand and, provided the minimum purchase requirements are met, USA and Canada. AGT will also have non-exclusive distribution rights for these products in Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos.

Further details regarding the new distribution agreements are set out in section 5.6.

Financial benefits from these agreements are expected to initially contribute revenue of \$1.4 million and profit before tax of \$0.9 million in Q4 FY18 with anticipated revenue and profits for full subsequent periods beyond FY18.

(c) Access to anticipated cost savings and scale benefits

Cost savings will be available to AGT through joint sourcing, distribution and potentially assembly as well as from economies of scale. AGT will have access to Novomatic's special sourcing conditions and higher sourcing volumes at lower costs.

These cost savings are expected to add a further estimated \$3.4 million in annualised profit before tax commencing in late FY17.

(d) Accelerates revenue and profitable growth in online and social

AGT's land based game titles will be made available through Novomatic's distribution channels in online real money and social gaming. The Novomatic partnership is expected to provide AGT incremental revenue and earnings of approximately \$0.3 million in FY17. Based on the current supply of content through Novomatic's successfully established distribution channels this is expected to provide revenue and earnings of approximately \$0.7 million in FY18 with further growth expected in future years.

Novomatic's Greentube has approximately 23 million registered customers online and is Europe's leading B2B provider for online gaming solutions. This allows the potential for significant year on year growth.

AGT provides a range of games to the UK and Alderney licensed customers via a Remote Gaming Server (RGS) in Guernsey. Novomatic's licences within real money gaming include UK, Alderney, Isle of Man, Malta and Italy. These additional territories are expected to contribute to the growth and distribution of AGT content throughout Europe in real money gaming.

Greentube's expansion in social gaming targeting North America will expand AGT's content to a new audience of online social casino players.

The partnership of AGT and Novomatic would complement Greentube's strategic direction and increase its market recognition in areas of mobile and social gaming.

(e) Provides enhanced access to financing if and as required

It is expected that the relationship with Novomatic will underpin access to additional financing if and as required, on improved terms that AGT could not source independently. Novomatic is currently the only gaming company with an investment grade rating issued by Standard & Poors in Europe (S&P rating: BBB). AGT should, through the association with Novomatic, enjoy an improvement in its credit rating without the need for an equity injection. Novomatic can also potentially provide financial guarantees for AGT or its banks for large tenders.

(f) Build a more competitive AGT to compete in consolidating markets

With the recent significant level of consolidation within the gaming industry, major competitors have achieved greater size, scale and resources, which potentially could affect AGT's current and planned expansion. With Novomatic's shareholding and access to their industry leading R&D and IP portfolio, AGT should become more competitive, providing the potential for enhanced global expansion.

(g) Provides succession planning and additional industry expertise at Board level

Keeping the knowledge and experience of AGT's founder, Mr Ainsworth and complementing this with Novomatic's involvement, should ensure AGT's continued success.

Mr Ainsworth has indicated that, while he intends to continue in his executive role to facilitate the continuity of corporate knowledge, he will work with the AGT Board and Novomatic to implement an appropriate transition to a suitably qualified and experienced independent Chairperson upon or soon after completion of the Share Transaction.

This planned succession of Mr Ainsworth will ensure continuity and stability of the Board whilst ensuring the achievement of best practice corporate governance processes.

Further potential advantages of the Share Transaction are set out in the Independent Expert's Report.

7.3 Disadvantages

Although the Independent Directors recommend that you vote in favour of the Resolution, and the Independent Expert has concluded that the Share Transaction is reasonable to Shareholders and that the advantages outweigh the disadvantages, you should consider the potential disadvantages of the Share Transaction before making a determination as to how to vote on the Resolution, including the following disadvantages:

(a) Alternative view

Shareholders may disagree with the unanimous recommendation of the Independent Directors and the CEO and the Independent Expert's opinion that the Share Transaction is advantageous.

(b) Advantages may not be realised

The advantages outlined in sections 1 and 7.2 above include forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the gaming industry as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and Shareholders may disagree with the likelihood of those advantages being realised, based on their own views of value of AGT and expectations about future market conditions and AGT's performance.

(c) Superior proposal opportunity

Shareholders might consider that a superior proposal to the Share Transaction may emerge. However, while the Sale Agreement remains on foot, it will not be possible for any other control transaction to be undertaken as Mr Ainsworth and his Controlled Entities are bound to sell the Sale Shares to Novomatic.

(d) A takeover bid for the Company is unlikely in the future once the partnership with Novomatic is established

Upon completion of the Share Transaction, Novomatic would have a controlling stake in the Company. Shareholders may consider that, despite the current position of Mr Ainsworth having the same controlling stake, this outcome will have an adverse impact on the likelihood of any party other than Novomatic making a takeover bid for 100% of AGT's Shares, or any other control transaction occurring.

(e) Changes to Novomatic's intentions

A summary of Novomatic's intentions in respect of AGT if the Share Transaction completes is set out in section 5, including that Novomatic currently has no current intention to change AGT's financial or dividend policy.

Novomatic's intentions have been formed on the basis of facts and information concerning AGT and the general business environment which is known to Novomatic as at the date of this Explanatory Statement. Novomatic has indicated that final decisions on these matters will be made by it in light of all material facts and circumstances at the relevant time. Accordingly, Novomatic's intentions may change as new information becomes available or as circumstances change.

However, the implementation of any change that Novomatic may seek to make would be subject to the Corporations Act and ASX Listing Rules, particularly in relation to related party transactions and conflicts of interest; and further the legal obligations of the Board to act for proper purposes and in the best interest of Shareholders as a whole.

Further potential disadvantages of the Share Transaction are set out in the Independent Expert's Report.

7.4 Associates of Mr Ainsworth and his Controlled Entities

As discussed in section 3.1, persons who are Associates of Novomatic or of Mr Ainsworth and his Controlled Entities are not permitted to vote on the Resolution.

A person will only be an Associate of another person if they satisfy one of the relevant definitions in sections 11-17 of the Corporations Act. These would include certain specified categories of person, such as directors of Mr Ainsworth's Controlled Entities, as well as persons who are 'acting in concert' with Mr Ainsworth or his Controlled Entities in relation to the affairs of the Company as referred to in section 12(2)(c) of the Corporations Act.

Based on enquiries made by the Independent Directors and in consideration of legal advice obtained by them, the Independent Directors at this time have not concluded that any Shareholders are excluded from voting on the Resolution on the basis of section 12(2)(c) of the Corporations Act. However, this is a matter of fact and will be continually monitored and the final decision as to which Shareholders will be permitted to vote on the Resolution will be made by the Chair immediately prior to the Meeting.

8

CONSEQUENCES OF THE SHARE TRANSACTION

If the Resolution is approved by Shareholders, in accordance with the Sale Agreement, the parties to the Sale Agreement will need to procure the satisfaction of the remaining Conditions (as summarised in section 10.1(d)) before the Sale Shares are transferred to Novomatic. Upon all the Conditions excluding the gaming Regulatory Approvals having been satisfied, Novomatic will pay to the Sellers a non-refundable deposit of \$10 million. The Share Transaction would then complete within 5 business days of the last of any outstanding Conditions being satisfied.

If the Resolution is not passed, the Sale Agreement will automatically terminate and the Share Transaction will not proceed, and Mr Ainsworth will remain the controlling Shareholder of the Company. The Resolution not being passed will further mean that none of the likely benefits arising out of the Share Transaction, including those described in this Explanatory Statement, will accrue to the Company.

Any future sale of Mr Ainsworth's Shares will again be subject to the restrictions under section 606 of the Corporations Act.

Further details regarding the impact of the Share Transaction not being approved by Shareholders are set out in section 5.5 of the Independent Expert's Report.

9

RECOMMENDATION OF INDEPENDENT DIRECTORS

The Independent Directors unanimously recommend that Shareholders vote **IN FAVOUR** of the Resolution to approve the Share Transaction, in the absence of a superior proposal.

10

TERMS OF THE SHARE TRANSACTION

10.1 Sale agreement

The terms of the Sale Agreement that governs the Sale Transaction are summarised below:

- (a) **(Parties):** Mr Ainsworth and AWI as the sellers and Novomatic as the buyer.
- (b) (Subject matter): The Sale Agreement records the terms and conditions of the sale by Mr Ainsworth and his Controlled Entities to Novomatic of 172,100,823 ordinary shares in the Company.
- (c) **(Consideration):** In consideration for the transfer of the Sale Shares, the Sellers will receive cash consideration of \$473,277,263.25. Upon satisfaction or waiver of the Conditions (except for the gaming Regulatory Approvals), Novomatic is required to pay to the Sellers the sum of \$10,000,000 as a non-refundable deposit and part payment of the cash consideration.
- (d) **(Conditions):** Set out below are the Conditions to Novomatic acquiring the Sale Shares. All of the conditions other than Shareholder approval may be waived by Novomatic in whole or in part:
 - (i) The Company obtaining Shareholder approval for Novomatic to acquire a Relevant Interest in the Sale Shares for the purposes of Item 7.
 - (ii) The Board providing a letter of support to Novomatic on terms as attached to the Sale Agreement.
 - (iii) The Company and Novomatic receiving all gaming Regulatory Approvals, consents or permissions from the relevant Government Agencies.
 - (iv) Novomatic receiving notice from the Commonwealth Treasurer (or delegate) specifying that the Treasurer has no objection to the Share Transaction under Australia's foreign investment policy and the *Foreign Acquisitions and Takeovers Act 1975* (Cth).
 - (v) Novomatic or the Company receiving notice from the relevant anti-trust regulators stating that they do not oppose the Share Transaction.
 - (vi) The Company receiving waivers of all Change of Control Rights from the counterparties of all material contracts of the Company.
- (e) The current status of the Conditions, based on the understanding of the Board is as follows:
 - (i) the Board provided its letter of support to Novomatic on 23 February 2016;
 - (ii) subject to the outcome of the regulatory processes, gaming Regulatory Approvals are expected to be received by 30 June 2017;
 - (iii) Novomatic has received a letter of no objections to the Share Transaction from the Australian Government Foreign Investment Review Board which is valid until 20 April 2017;
 - (iv) Novomatic has engaged with various merger regulatory authorities and have not received any objections at this stage. This engagement process is ongoing; and
 - (v) a change of control waiver has been received from ANZ in respect of the Company's facility arrangements.

If the Conditions are not satisfied or waived by 31 December 2017, the agreement automatically terminates.

- (f) **(Costs of the Shareholder approval):** The Sellers agree to pay all the Company's costs of convening and holding the Meeting for the purpose of seeking Shareholder approval for the Share Transaction. As a variation to the position agreed under the Sale Agreement, Novomatic has agreed to reimburse the Sellers half of the abovementioned costs (up to a maximum of \$100,000).

- (g) **(Undertakings):** The Sellers agreed to:
- (i) procure the Meeting to consider the Resolution to approve the Share Transaction;
 - (ii) give, and procure the Company to give, a cleansing notice in compliance with section 708A(5)(e)(ii) of the Corporations Act (as amended by ASIC Class Order 08/25) in respect of the Sale Shares;
 - (iii) procure the Company to commission the Independent Expert's Report;
 - (iv) assist the Company and Novomatic in making notifications or obtaining any consents or waivers that are required from any counterparties of the Company or any Government Agency, including any gaming authority or anti-trust regulator; and
 - (v) not deal with the existing shares of the Sellers or acquire any new shares in the Company (other than through the Company's dividend reinvestment plan) for 3 months and 11 days after the date of the Sale Agreement.
- (h) **(Use of Ainsworth name):** The Sellers agreed not to permit Mr Ainsworth's name to be used by any company, trust or other legal entity with which Mr Ainsworth is involved if it carries on a business that is similar or competitive with any business of the Company or any of its Related Bodies Corporate.
- (i) **(Warranties):** The parties have given a number of customary warranties.

10.2 Timing of the Share Transaction

In accordance with the terms of the Sale Agreement, the Share Transaction will complete on the day that is 5 business days after all of the Conditions under the Sale Agreement are satisfied or waived in accordance with the Sale Agreement. If the Conditions are not satisfied or waived by 31 December 2017, the Sale Agreement will automatically terminate.

11

ADDITIONAL INFORMATION

11.1 Directors' interests

Mr Ainsworth is a Director with an interest in the Share Transaction as the Sale Shares are held by Mr Ainsworth and his Associated Entities. No other Directors of the Company have an interest in the Share Transaction.

11.2 New director

Novomatic has not made a final decision as to who will be nominated to the Board following completion of the Share Transaction. However, the present intention is to nominate its CEO, Mr Harald Neumann.

Harald Neumann is the current Chief Executive Officer and Chairman of the Executive Board of Novomatic, a position he has held since October 2014. Prior to this, he was Managing Director of Novomatic Gaming Industries GmbH (formerly Austrian Gaming Industries GmbH), a wholly owned subsidiary of Novomatic and the company's flagship production business.

Mr Neumann has spent his career working in and leading technology companies. After starting his career at Alcatel Austria AG (now Alcatel-Lucent), the global telecommunications equipment company, he assumed the role of Managing Director at Bundesrechenzentrum GmbH, the Austrian government's information technology service provider, until 2006. Mr Neumann then became CEO of G4S Securities Services Austria AG, the Austrian subsidiary of one of the world's leading integrated security companies with over 700,000 employees and listing on the London Stock Exchange, before joining Novomatic in 2011.

Mr Neumann is an Austrian national and a graduate of the Vienna University of Economics and Business.

Mr Neumann does not have an association with Novomatic other than through his position as employee and director of Novomatic and its associated entities. He has no interest in the Share Transaction other than as an employee and director of Novomatic.

11.3 Ainsworth (UK) Limited

Pursuant to a share sale and purchase agreement AWI and Novomatic UK Limited, AWI has sold the entire issued share capital of Ainsworth (UK) Limited (**AUK**). AUK is wholly owned by AWI. The Company did not hold an equity interest in AUK. This agreement was not conditional on the Share Transaction. The price agreed for the sale of the AUK shares was GBP1,000 and the payback of a long-term intercompany loan balance owing by AUK to AWI of approximately \$14.4 million of which \$2.8 million will be repaid over a 6 month period to 31 December 2016.

The Company currently has a manufacturing, supply and distribution agreement (**MSDA**) with AUK, which the Company can terminate upon a change of control of AUK. The sale of AUK constitutes a change of control.

The Company has agreed to grant a consent and waiver to the AUK sale, subject to certain amendments to the MSDA, including extending the term to 3 years with 2 further one year renewals subject to certain conditions, and expanding the applicable territory to include Russia.

The Company's consent and waiver to the AUK sale is also subject to AUK changing its name to exclude the word "Ainsworth" and transferring all intellectual property it owns or which includes the Ainsworth name, to AGT on termination of the MSDA (or similar agreement).

The Independent Expert's consideration of the above transaction is set out in section 5.6 of the Independent Expert's Report.

11.4 ASIC relief

Section 609(7) of the Corporations Act imposes a 3 month time limit on how long a conditional agreement (like the Sale Agreement) may restrict the disposal of securities. Specifically, section 609(7) states:

"A person does not have a relevant interest in securities merely because of an agreement if the agreement:

(a) *is conditional on:*

- (i) *a resolution under item 7 in the table in section 611 being passed; or*
- (ii) *ASIC exempting the acquisition under the agreement from the provisions of this Chapter under section 655A; and*

(b) does not confer any control over, or power to substantially influence, the exercise of a voting right attached to the securities;
and

(c) does not restrict disposal of the securities for more than 3 months from the date when the agreement is entered into.

The person acquires a relevant interest in the securities when the condition referred to in paragraph (a) is satisfied.”

ASIC has issued an instrument permitting the extension of the restriction period under section 609(7) by 11 days, such that in relation to Novomatic and the Share Transaction, section 609(7)(c) is amended to read:

“(c) does not restrict disposal of the securities for more than 3 months and 11 days from the date when the agreement is entered into.”

The effect of the ASIC instrument is that the Sale Agreement can be amended to allow Novomatic to restrict the Mr Ainsworth’s disposal of the Sale Shares until 3 June 2016 (ie, the date of the Shareholders’ meeting) without contravening section 609(7) of the Corporations Act.

11.5 Associates of Novomatic

Set out in the below table is a list of all of the Associates of Novomatic.

AbZorba Games Betriebsges.m.b.H	AMONIQ d.o.o. Zenica
AbZorba Games UK Ltd.	Astra Albania Sh.a.
Admira d.o.o.	Astra Betting (One) Ltd.
ADMIRAL Casinos & Entertainment AG	Astra Casino Gaming (One) Ltd.
Admiral Casinos S.A.	Astra Games Ltd.
Admiral Club Ltd.	Astra Gaming Group Ltd.
Admiral Entertainment S.r.l.	Austrian Gaming Industries GmbH
Admiral Gaming Andalucia S.A.	AuTec Automatenbetriebsgesellschaft m.b.H. i. L.
Admiral Gaming Network S.r.l.	Automaticos Surmatic S.L.
Admiral Hungaria Kft.	Azarto Technika UAB
Admiral Interactive S.r.l.	BAIH Beteiligungsverwaltungs GmbH
Admiral Play GmbH	Beatya Online Entertainment p.l.c.
Admiral Slots S.A.	Bell Amusements Ltd.
Admiral Sports Betting (UK) Ltd. i. L.	Bell-Fruit Games Ltd.
Admiral Sportwetten GmbH	Bell-Fruit Group Ltd.
Admiral Sportwetten GmbH	Bell-Fruit Services Ltd.
Admiralu Klubs SIA	Bet Master SRL
Adria Gaming Vicenza S.r.l.	BetCave Betting Solutions Ltd.
Adriatik Game Sh.a.	BetMen Holding Ltd.
Aermatic Italia S.r.l.	BetMen Operations Ltd.
AGI Africa (PTY) Ltd.	Betware d.o.o. Belgrad
AGI Argentina Limitada S.R.L.	Betware DK ApS
AGI Gaming Colombia S.A.S.	Betware ehf.
AGI Hungária Kft.	Betware Holding hf.
AGI Namibia Gaming (PTY) Ltd.	Betware S.L.U
AGI Namibia Properties (PTY) Ltd.	Bingoland S.r.l.
AGI NOVOMATIC TUNISIA. S.A.R.L.	Bluebat Games Inc.
AGI Swaziland (PTY) Ltd.	BPA Freizeit- und Unterhaltungsbetriebe GmbH
Airoline GmbH	Brasan Bros S.A.
AK COMET d.o.o. Zivinice	Brian Newton Leisure Ltd.
Albaten Sh.p.k. i. L.	Buena Vista S.A.
Alea Investrom SRL	Casino Admiral Holland B.V.
Alfor SIA	Casino Admiral Zeeland B.V.
Algast Gastronomie GmbH i. L.	Casino Deluxe Beteiligungsgesellschaft mbH I
Allstar S.r.l.	Casino Deluxe Beteiligungsgesellschaft mbH III
ALS Group OOO	Casino Deluxe Beteiligungsgesellschaft mbH IV

Casino Entertainment GmbH & Co. KG
 Casino Entertainment Verwaltungs-GmbH
 Cervo Media GmbH
 CLS Beteiligungs GmbH
 Conrad Spielautomaten GmbH
 CP Asian Solutions Corp.
 Crown Gaming Mexico S.A. de C.V.
 Crown Gaming Paraguay S.A.
 Crown Gaming S.A.C.
 Crown Gaming Services Mexico S. de R.L. de C.V.
 Crown Technologies GmbH
 CRVENO-CRNO d.o.o. Mostar
 Crydata N.V.
 DHTCM DOOEL
 Domino-Automaten-Betriebs-GmbH
 Eagle Investment Sh.a.
 Elam Group Electronic Amusement B.V.
 Empire Games Ltd.
 Ensco 961 Ltd.
 Ensco 962 Ltd.
 Eurocoin Gaming B.V.
 Eurocoin Interactive B.V.
 Euromat S.r.l.
 Extra Games Entertainment GmbH
 Extreme Live Gaming Ltd.
 Fenikss Slots SRL
 FMA s.r.o.
 Funhouse Leisure Ltd.
 Funhouse Leisure Sales Ltd.
 Funstage Spielewebseiten Betriebsges.m.b.H.
 G.A.M.E. SYS GmbH
 Games Network Ltd.
 Gamestec Leisure Ltd.
 Gamestec Ltd.
 GesGiGames S.L.U.
 GiGames Norte S.L.
 GiGames S.L.
 Giochi San Marino S.p.A.
 Greentube (Gibraltar) Ltd.
 Greentube Alderney Ltd.
 Greentube Canada Interactive Entertainment Corp.
 Greentube Internet Entertainment Solutions GmbH
 Greentube Malta Ltd.
 Gryphon Invest AG
 Hirscher Moneysystems GmbH
 Hotel Carrera S.A.C.
 HP Automatenbetriebs GmbH
 HTL d.o.o. Sarajevo
 HTL Kosovo Sh.p.k.
 HTL Makedonija DOOEL
 HTL Montenegro d.o.o.
 HTL Ukraine TOV
 HTM Hotel und Tourismus Management GmbH
 Ideal Entertainment GmbH
 IgroTech-Import TOV
 I-New Chile S.p.A.
 I-New Colombia S.A.S.
 I-New Hungary Kft.
 I-New Unified Mobile Solutions Africa (PTY) Ltd.
 I-New Unified Mobile Solutions AG
 I-New Unified Mobile Solutions S.A. de C.V.
 Immobiliaria Rapid S.A.C.
 Interigre d.o.o.
 Interinvest Holding SAL
 Interlog SAL
 Intertop SRL
 J. u. C. Schaaf Spielautomatenbetriebsges.m.b.H. i. L.
 Juegos Automaticos Nacidos Para el Ocio S.L.
 JVH exploitatie B.V.
 JVH gaming products GmbH
 Kurhessische Spielbank Kassel/Bad Wildungen GmbH
 & Co. KG
 Kurhessische Spielbank Kassel/Bad Wildungen
 Verwaltungs GmbH
 Kwik Tan Ltd.
 Leisure Projects Ltd.
 Loontjens Automaten B.V.
 Löwen Entertainment GmbH
 LTB Beteiligungs GmbH
 Luxury Leisure Holdings Ltd.
 Luxury Leisure Ultd.
 MA Gaming DOOEL
 Makoten DOOEL
 Masterbet DOOEL
 Mazooma Games Ltd.
 Mazooma Interactive Games Ltd.
 Mediteran Gaming d.o.o.
 Millennium S.r.l.
 MNA Gaming d.o.o.
 MS&NS d.o.o.
 NB I Tecnologia E Servicos S.A.
 NMN Automatentechnik GmbH
 Norddeutsche Spielbanken GmbH
 Novo (Cambodia) Ltd.
 NOVO AI SINGAPORE PTE. Ltd.
 Novo Gaming CR Ltda.
 Novo Gaming d.o.o.
 Novo Gaming Development B.V.
 Novo Gaming exploitatie B.V.
 Novo Gaming GT Ltda.

Novo Gaming Honduras S. de R.L. de C. V.
 Novo Gaming Netherlands B.V.
 Novo Gaming Services B.V.
 Novo Immobilien GmbH
 Novo Immobilien Verwaltungsgesellschaft mbH
 Novo Invest Bulgaria EOOD
 Novo Investment d.o.o.
 Novo Investment RO SRL
 Novo Lottery Solutions GmbH
 Novo Lottery Solutions Iceland hf.
 Novo Panama S. de R.L.
 Novo RS d.o.o.
 Novo VLTech GmbH
 Novo VLTech Solutions SRL
 Novochile Ltda.
 Novogaming Vilnius UAB
 Novoloto OÜ
 Novoloto Vilnius UAB
 Novomatic AG
 Novomatic Americas Holdings Inc.
 Novomatic Americas Investments Inc.
 Novomatic Americas Real Estate LLC
 Novomatic Americas Sales LLC
 Novomatic Gaming Spain S.A.
 Novomatic Holdings Chile Ltda.
 Novomatic Investments Chile S.A.
 Novomatic Italia S.p.A.
 Novomatic Italia Services S.r.l.
 Novomatic LatAm Holding S.L.U.
 Novomatic Perú S.A.C.
 Novomatic UK Ltd.
 NWC NORD WEST CASINO Beteiligungs GmbH
 NWC NORD WEST CASINO GmbH & Co. KG
 Octavian de Argentina S.A.
 Octavian SPb OOO
 Ostsee-Spielbanken GmbH & Co. KG i. L.
 Ostsee-Spielbanken Verwaltungsgesellschaft mbH i. L.
 Overlord Gaming S.L.
 Overlord Operadora S.L.U.
 Planeta IGR
 Platogo Interactive Entertainment GmbH
 Playnation Ltd.
 Play-Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H.
 Recreatieprojecten Zeeland B.V.
 RLMS Sales Ltd.
 RSA Gaming d.o.o.
 RSV Beteiligungs GmbH
 Ruta 777 Games S.L.
 S.A.L. Leisure Holdings Ltd.
 S.A.L. Leisure Ltd.
 Salones Macao S.L.
 Say:Hola! S.A.S.
 Sierra Machines S.A.C.
 SIM Spielbanken Investitions- und Management GmbH
 SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co. KG
 Slotclub Kft.
 SM&SM d.o.o.
 smartspace GmbH
 So What! s.r.o.
 Sogeslot S.r.l.
 Spielbank Berlin Entertainment GmbH & Co. KG
 Spielbank Berlin Entertainment Verwaltungs GmbH
 Spielbank Berlin Gustav Jaenecke GmbH & Co. KG
 Spielbank Berlin nationale Beteiligungen Verwaltungs GmbH
 Spielbank Berlin nationale Beteiligungsgesellschaft mbH & Co. KG
 Spielbank Berlin Verwaltungs GmbH
 Spielbanken MV Bewerbergesellschaft GmbH & Co. KG
 Spielbanken MV Bewerbergesellschaft Verwaltungs-GmbH
 Stakelogic B.V.
 Stakelogic Malta Ltd.
 Swazi Lottery Trust (PTY) Ltd.
 Taxillus UAB
 United Gaming Industries OOO
 Villox Group EOOD
 VSGA UAB
 Wett Cafe Betriebsgesellschaft m.b.H.
 Wettpunkt International SRL

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**INDEPENDENT EXPERT'S
REPORT**

Ainsworth Game Technology Limited

28 April 2016

Independent Expert's
Report



The Independent Directors
Ainsworth Game Technology Ltd
10 Holker Street
Newington NSW 2127

28 April 2016

Dear Sirs,

Independent Expert's Report (IER) in relation to the proposed sale of the 53% shareholding in Ainsworth Game Technology Limited (AGT) held by Mr LH Ainsworth (Mr Ainsworth) and through other entities controlled by him (Controlled Entities), to Novomatic AG (Novomatic)

Introduction

1. On 23 February 2016, AGT announced that it had received notice from Mr LH Ainsworth that he had agreed to sell his interest of 53% in AGT to Novomatic for a consideration of A\$2.75 per share (the Share Transaction). The completion of the Share Transaction is subject to certain conditions precedent.
2. In addition to the Share Transaction, Novomatic has subsequently entered into Heads of Terms (HoT) agreements with AGT setting out intentions to collaborate following the completion or approval of the Share Transaction. Novomatic has also sent AGT a letter of intent (Letter of Intent) setting out a longer term framework for collaboration. Together, the Share Transaction, the HoTs and the Letter of Intent comprise the Proposed Transaction.

Summary of the Proposed Transaction

3. The Explanatory Statement prepared by AGT sets out the full terms of the Proposed Transaction. Key aspects of the Proposed Transaction are:

Share Transaction

- The Share Transaction relates to the agreement made by Mr Ainsworth on 23 February 2016 to sell 172.1 million shares to Novomatic for a cash consideration of A\$2.75 per share. The 172.1 million shares are held both directly by Mr Ainsworth and through entities controlled by Mr Ainsworth and represented 53.35% of the issued share capital of AGT as at the date of this report.
- Novomatic had previously acquired a 0.23% interest in AGT through five on market transactions between 2 February 2016 and 8 February 2016. Following shareholder approval, the Share Transaction will result in Novomatic holding 53.58% of the issued capital of AGT. Through a dividend reinvestment plan (DRP), 5.1 million shares are expected to be issued on 2 May 2016 which will dilute Novomatic's interest to 52.74%.
- The total consideration to be received by Mr Ainsworth is A\$473.3 million. Mr Ainsworth will be partly paid in the form of a non-refundable deposit of A\$10.0 million when all conditions precedent of the Share Transaction, other than obtaining gaming regulatory approvals, are met. The balance of the amount would be paid once all conditions precedent are met.

- Obtaining gaming regulatory approvals for the Share Transaction is likely to take an extended period of time. The Independent Directors expect regulatory approvals to be received by 30 June 2017 (subject to regulatory processes). In the event of the gaming regulatory approvals not being received the Share Transaction would not complete, unless this condition precedent is waived by Novomatic.
 - If all conditions precedent are not satisfied or waived by Novomatic by 31 December 2017, the Share Transaction will automatically terminate.
 - In addition to the Share Transaction, Novomatic has separately acquired 100% of the issued share capital of Ainsworth (UK) Limited (AUK) (the AUK Transaction). AUK is 100% owned by Associated World Investments Pty Ltd (AWI), a company controlled by Mr Ainsworth. Consideration is a nominal amount, with transaction loans of A\$14.4 million to be repaid to AWI.
4. Novomatic has subsequently provided information to the Independent Directors regarding their current intentions in relation to the investment in AGT. These intentions are set out in detail in the Explanatory Statement. Inter alia, Novomatic has stated that it intends to:
- maintain the current Board's strategic intent to '*build a larger, diversified and more profitable international game technology company*';
 - maintain the listing of AGT on the ASX and maintain the current Board and executive management teams while nominating additional directors;
 - not inject any further capital into AGT;
 - not vary the existing AGT employee arrangements;
 - not transfer material assets between Novomatic and AGT (other than as anticipated in the HoTs);
 - maintain its holding in AGT at around 53%; and
 - not change the dividend or distribution policies.

HoTs

5. In addition to the above intentions, in conjunction with the Share Transaction, Novomatic has executed HoTs with AGT forming a legal commitment to enter into a number of commercial agreements. The key matters set out in the HoTs are:
- the provision by AGT and Novomatic to each other of their respective game content at a nominal price for use and adaptation in each company's products in respective territories. AGT could utilise and adapt Novomatic game content in the Australia, New Zealand, North America and Asia markets while Novomatic could utilise and adapt AGT game content in the United Kingdom, Ireland and all of Europe including Russia. The agreement covers an initial period of four years;
 - AGT distributing Novomatic slot machines for class II and class III in North America (from completion of the Share Transaction), on an exclusive basis, subject to a minimum purchase level;
 - Novomatic distributing AGT gaming devices and software kits in Europe exclusively (with Novomatic acquiring AUK from Mr Ainsworth and the variation of the current manufacturing, supply and distribution agreement between AGT and AUK) from approval of the Share Transaction. As part of this, Novomatic commit to acquire through AUK a minimum of 2,000 kits over a two year period up to December 2017;

- Greentube (a subsidiary of Novomatic) placing AGT remote games on Greentube platforms under a revenue sharing arrangement; and
- these commercial agreements are all contingent upon approval of the Share Transaction.

Letter of Intent

6. Novomatic has also sent a Letter of Intent to AGT to outline Novomatic's longer term commitments for commercial cooperation. The Letter of Intent outlines the intentions to cooperate to achieve benefits over the longer term in the areas of research and development facilities and sourcing of components.

Purpose of the report

7. The Share Transaction would result in Novomatic acquiring an interest of 53% in the ordinary share capital of AGT.
8. Section 606 of the Corporations Act prohibits the acquisition of an interest of more than 20% of the voting shares of a company. In section 611, a number of exemptions from this general rule are set out. Specifically, it is provided in section 611 (7) that such an acquisition is permitted where the acquisition is approved by a resolution at a general meeting and no votes are cast in respect of shares held by the acquirer and its associates or the vendor and its associates.
9. The Corporations Act requires that shareholders of a company voting on a resolution pursuant to section 611 (7) (the Non-Associated Shareholders) be provided with all material information to assess the proposed acquisition. To meet this requirement, the directors of the company may commission an independent expert to prepare a report assessing the proposed acquisition to accompany the Notice of Meeting and Explanatory Statement sent to Non-Associated Shareholders.
10. This report has been prepared at the request of the Independent Directors of AGT to provide an opinion in line with ASIC requirements for a section 611 (7) report and set out the reasons for our opinion.

Summary of our opinion

The controlling shareholder is receiving a control premium that is not being offered to other AGT shareholders

11. The Share Transaction will not result in the controlling shareholder receiving the full amount of consideration until all gaming and other regulatory approvals are received, estimated to be received by 30 June 2017 (subject to regulatory processes). The share price of AGT at that future date is unknown. However, based on the current market in AGT shares, we consider the controlling shareholder is receiving a control premium that is not being offered to other shareholders. We base this assessment on:

- comparing the price that would be received by the controlling shareholder upon completion of the Share Transaction of A\$2.75 per share and the trading price of AGT shares of between A\$2.12 and A\$2.35 in the period between the announcement of the Share Transaction and 26 April 2016. The price of A\$2.75 represents a 33% control premium on the 30 day VWAP (\$2.06) at the announcement of the Share Transaction, and 21% based on the closing share price as at 26 April 2016 of A\$2.27; and
- our valuation analysis of AGT indicates that the price of A\$2.75 falls in our assessed range of values for AGT on a controlling basis between A\$2.45 and A\$3.15.

AGT and Novomatic are a logical commercial fit and the proposed collaboration between the two businesses has the potential to generate significant value

12. Novomatic is a large successful gaming equipment and gaming operations company with a business that is complementary to that of AGT in a number of key areas. For example:
 - the provision of mutual access to each company's games library for a period of four years allows AGT and Novomatic to adapt and utilise each other's games in markets where they are not currently being exploited (and hence not generating revenue for the game owner). This will allow both AGT and Novomatic to support sales of their own equipment in their territories with a significantly expanded library of games;
 - other than South America, AGT and Novomatic currently do not compete significantly in other major markets. Therefore, the proposed geographic split whereby AGT have exclusive distribution rights for relevant products in North America, Australia and New Zealand and Novomatic have exclusive distribution rights in Europe is logical and leverages the existing presence and strengths of AGT and Novomatic in those markets;
 - to the extent that gaming operators require diversity in equipment, mutual distribution arrangements are logical and do not cannibalise each company's sales of their own products;
 - Novomatic has critical mass and a strong presence in the growing online and social gaming sector where AGT's operations are still embryonic. Using Novomatic infrastructure and gaining access to Novomatic's expertise in this area will accelerate the development of the AGT online and social gaming business; and
 - there is also potential for efficiencies in research and development in common product areas, equipment assembly and sourcing of production materials.

A commercial framework has been established to facilitate collaboration between AGT and Novomatic following the Share Transaction

13. As set out in the Explanatory Statement, AGT has negotiated HoTs and other agreements with Novomatic that set out the principles that would apply to commercial arrangements between AGT and Novomatic following approval and completion of the Share Transaction.
14. Following the approval of the Share Transaction, the principles embodied in the HoTs would be documented more fully in detailed agreements. The finalisation of commercial arrangements between AGT and Novomatic is necessarily subject to some further negotiation between AGT and Novomatic.

15. The agreements negotiated based on the HoTs will have finite terms or be subject to termination. In particular, the crucial arrangements in relation to the sharing of game content will be subject to a contract with a four year term. There is some residual risk that such contracts will not be renewed by Novomatic following the initial contract terms and this would mean that benefits identified by the Independent Directors in the period up to 30 June 2018 might not continue beyond the initial four year period. However, to the extent that the collaboration is mutually advantageous and AGT and Novomatic will hold customer relationships in respective geographic markets, there is a reasonable basis to expect that collaboration arrangements will be renewed and would continue long term.

The Independent Directors project significant benefits will be realised by AGT as a result of the commercial arrangements for collaboration between AGT and Novomatic following the Share Transaction

16. The extent of the future financial benefits to AGT from the collaboration is necessarily uncertain. The Independent Directors estimate incremental earnings in the order of A\$25 million in the 2018 financial year primarily arising from the ability to leverage Novomatic game content to regain market share in the Australian market and increase market share in North America.
17. Applying a forward earnings multiple range of between 4.0x to 5.5x to the targeted incremental profit could be expected to increase the pre-announcement share price in the order of 15% to 20%.
18. Based on this, the assessed value of the benefits of entering into the commercial arrangements for collaboration with Novomatic are estimated to be in the order of between A\$0.31 and A\$0.42 per share. This compares to the premium per share of \$0.69 being received by Mr Ainsworth.

The Share Transaction deters the making of a takeover bid for AGT

19. If the Share Transaction is approved, Novomatic would become the controlling shareholder of AGT once gaming and other regulatory approvals are obtained. As noted in the Explanatory Statement, this is estimated to be completed by 30 June 2017 (subject to regulatory processes). During the period from approval of the Share Transaction to the obtaining of regulatory approvals, there is no scope for an alternative takeover offer.
20. Once the Share Transaction is completed, the controlling interest of Novomatic and the ongoing collaboration between AGT and Novomatic makes it unlikely that a takeover bid for AGT by any party other than Novomatic would occur.

If the Share Transaction is not approved, the currently stated position of Mr Ainsworth prevents a control transaction (other than a possible 100% takeover by Novomatic) involving any other party. There is no basis to anticipate whether Novomatic would make an alternative offer.

21. If Non-Associated Shareholders reject the Share Transaction, based on the stated position of Mr Ainsworth, unless Novomatic made a full takeover offer, AGT would continue as an independent listed company with Mr Ainsworth or – upon his death - his executors being controlling shareholders for an extended period. Mr Ainsworth has disclosed that upon his death, his executors are required to retain his AGT shares for a period of four years. This could act to limit AGT's operational flexibility during this period.
22. Based on the stated position of Mr Ainsworth, the Non-Associated Shareholders cannot assume a full takeover offer or receiving a control premium for an extended period (absent a 100% takeover by Novomatic or Mr Ainsworth re-assessing his position).

23. The Independent Directors have also made enquires of Novomatic as to what action they would take if the Share Transaction is not approved. Based on this response, there is no basis to assume any particular course of action by Novomatic.

If the Share Transaction is not approved, the default assumption is that AGT would continue as an independent listed company controlled by Mr Ainsworth and ultimately his executors

24. The future AGT share price would reflect the stand alone performance of AGT and would not reflect the potential benefits identified above arising from the collaboration with Novomatic following the Share Transaction.
25. AGT is operating profitably with low levels of debt. While market share has been lost in Australia it is successfully increasing market presence in the North and South American markets. The current share price of AGT is in line with the current and forecast performance of the company on a standalone basis. This price already reflects the ongoing uncertainties in relation to Mr Ainsworth's controlling interest and as such there is no clear basis to assume a significant medium term reduction in the AGT share price if the Share Transaction is not approved.
26. AGT would continue to compete as a relatively small company in a market that has become increasingly consolidated in recent years and, based on Mr Ainsworth's stated position, would potentially be excluded from participating in further consolidation in the sector.
27. AGT would not benefit from the potential financial benefits of the collaboration between AGT and Novomatic if the Share Transaction is not approved. In particular, the access to the Novomatic games library on favourable terms for a period of four years to exploit in the Australian and North American market would be foregone.
28. However, the uncertainties and risks in relation to the structuring collaboration between the two companies and achieving the projected benefits would be avoided. Further, potential governance issues and lack of congruence where AGT and its controlling shareholder are competing in the growing South American market would not arise.

There is a further transaction between the Vendor and Novomatic. However, it is not considered significant in the context of the Share Transaction.

29. In addition to the sale of his interest in AGT, Mr Ainsworth has sold a 100% interest in Ainsworth (UK) Limited (AUK) to Novomatic. We are advised that this will realise an amount in the order of A\$14.4 million for a company controlled by Mr Ainsworth through the repayment of an intercompany loan to AUK and the acquisition of AUK shares for a nominal amount by Novomatic.
30. We have not addressed the value of AUK in detail, but consider that if any amount above the underlying value of AUK is being received by Mr Ainsworth, the amount would be immaterial in the context of the Share Transaction.
31. Mr Ainsworth's sale of the 100% interest in AUK is not conditional on the approval or completion of the Share Transaction.

The Share Transaction reflects the objectives of the controlling shareholder for AGT to remain an independent listed company

32. The Share Transaction has been negotiated by the controlling shareholder with the objectives of achieving a sale of the interest, while placing the interest with an acquirer who is aligned with his philosophy and strategy and will maintain AGT as an ASX listed company. Novomatic have made

statements of intent in relation to the continued operation of AGT as an independent ASX listed entity with its own management team and its current intentions to maintain its holding in AGT at around 53%.

33. Mr Ainsworth has stated that he is not currently prepared to accept an offer (including an offer by way of a full takeover for AGT) from any industry participant (other than Novomatic) or a financial buyer. As such:
- other than a possible 100% takeover by Novomatic, he has excluded a takeover of AGT (including, based on the disclosed terms of his will, for a four year period following his death); and
 - the price was negotiated with Novomatic without a formal sale process and therefore is not necessarily the highest price that would be achievable if a 100% offer for AGT had been sought through a competitive process involving a number of potential acquirers. However, the price does lay within our assessed range of values for AGT on a controlling basis.
34. While Mr Ainsworth has stated that he is potentially open to a 100% takeover offer by Novomatic with certain conditions, based on Novomatic's currently stated intentions, there is no basis to assume that Novomatic would proceed to a full takeover offer if the Share Transaction is not approved.

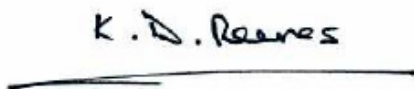
Conclusion

35. The Share Transaction subject to a vote by the Non-Associated Shareholders is the only proposed transaction involving Mr Ainsworth's controlling interest in AGT. Based on his current stated position, he will not accept a takeover offer from any party other than Novomatic. He has stated that he would consider a full takeover offer for AGT from Novomatic, however based on the enquiries made of Novomatic, there is no basis to assume a full takeover offer would be made by Novomatic if the Share Transaction is not approved.
36. Unless Non-Associated Shareholders anticipate that, if the Share Transaction is not approved, Novomatic would structure a transaction on terms more favourable to the Non-Associated Shareholders, the Share Transaction appears the more favourable option available based on the stated intentions of Mr Ainsworth.
37. Accordingly, we consider the advantages of the Share Transaction outweigh the disadvantages.

Other matters

38. An individual shareholder's decision in relation to the Share Transaction will be influenced by his or her particular circumstances. In undertaking this assessment, PwC Securities has considered the Share Transaction from the perspective of the Non-Associated Shareholders as a whole. PwC Securities has not considered the effect of the Share Transaction on the particular circumstances of individual AGT shareholders, nor has it considered their individual objectives, financial situation or needs. Due to particular circumstances, individual shareholders may place different emphasis on various aspects of the Transaction from that adopted in this report. Individual AGT shareholders should seek their own financial advice.

39. PwC Securities has prepared a Financial Services Guide as required by the Corporations Act 2001. This is included as Appendix A to the independent expert's report attached.
40. This letter is a summary of PwC Securities' report. The independent expert's report from which this summary letter has been extracted is attached and should be read in conjunction with this letter.
41. Our report is as at the date of this summary letter and reflects the circumstances and conditions as at that date.

A handwritten signature in black ink that reads 'K. D. Reeves'. Below the signature is a solid horizontal line.

Kevin Reeves
Authorised Representative
PricewaterhouseCoopers Securities Ltd.

A handwritten signature in black ink that reads 'R. Stewart'. The signature is highly stylized and cursive.

Richard Stewart
Authorised Representative
PricewaterhouseCoopers Securities Ltd.

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1 Introduction and purpose

Introduction

1. On 23 February 2016, AGT announced that it had received notice from Mr LH Ainsworth that he had agreed to sell his interest of 53% in AGT to Novomatic for a consideration of A\$2.75 per share (the Share Transaction). The completion of the Share Transaction is subject to certain conditions precedent.
2. In addition to the Share Transaction, Novomatic has entered into Heads of Terms (HoTs) with AGT setting out intentions to collaborate following the completion or approval of the Share Transaction. Novomatic has also sent AGT a letter of intent (Letter of Intent) setting out a longer term framework for collaboration. Together, the Share Transaction, the HoTs and the Letter of Intent comprise the Proposed Transaction.

Summary of the Proposed Transaction

3. The Explanatory Statement prepared by AGT sets out the full terms of the Proposed Transaction. Key aspects of the Proposed Transaction are:

Share Transaction

- The Share Transaction relates to the agreement made by Mr Ainsworth on 23 February 2016 to sell 172.1 million shares to Novomatic for a cash consideration of A\$2.75 per share. The 172.1 million shares were held directly by Mr Ainsworth and through entities controlled by Mr Ainsworth and represented 53.35% of the issued share capital of AGT at the date of this report.
- Novomatic had previously acquired a 0.23% interest in AGT through five on market transactions between 2 February 2016 and 8 February 2016. Following shareholder approval, the Share Transaction will result in Novomatic holding 53.58% of the issued capital of AGT. Through a dividend reinvestment plan (DRP), 5.1 million shares are expected to be issued on 2 May 2016 which will dilute Novomatic's interest to 52.74%.
- The total consideration to be received by Mr Ainsworth is A\$473.3 million. Mr Ainsworth will be partly paid in the form of a non-refundable deposit of A\$10.0 million when all conditions precedent of the Share Transaction, other than obtaining gaming regulatory approvals, are met. The balance of the amount would be paid once all conditions precedent are met.
- Gaining gaming regulatory approvals for the Share Transaction is likely to take an extended period of time. Subject to regulatory processes, the Independent Directors expect approvals to be received by 30 June 2017. In the event of the gaming regulatory approvals not being received the Share Transaction would not complete, unless waived by Novomatic. If all conditions precedent are not satisfied or waived by Novomatic by 31 December 2017, the Share Transaction will automatically terminate.
- In addition to the Share Transaction, Novomatic has separately acquired 100% of the issued share capital of AUK. AUK is 100% owned by AWI, a company controlled by Mr Ainsworth. Consideration is a nominal amount, with transaction loans of A\$14.4 million to be repaid to AWI.

4. Upon announcement of the Share Transaction, Novomatic has subsequently provided information to the Independent Directors regarding their intentions in relation to the investment in AGT. These intentions are set out in detail in the Explanatory Statement. Inter alia, Novomatic has stated that it intends to:
- maintain the current Board's strategic intent to *'build a larger, diversified and more profitable international game technology company'*;
 - maintain the listing of AGT on the ASX and maintain the current Board and executive management teams while nominating additional directors;
 - not inject any further capital into AGT;
 - not vary the existing AGT employee arrangements;
 - not transfer material assets between Novomatic and AGT (other than as anticipated in the HoTs);
 - maintain its holding in AGT at around 53%; and
 - not change the dividend or distribution policies

HoTs

5. In addition to the above intentions, in conjunction with the Share Transaction, Novomatic has executed HoTs with AGT forming a legal commitment to endeavour to enter into a number of distribution, development and licensing agreements. Once shareholder approval has been received Novomatic has committed to:
- distribute AGT machines in Europe, including the purchase a minimum of 1,000 AGT kits in calendar year 2016 and 2017;
 - distribute AGT's game content on its worldwide online platforms; and
 - share access to game libraries, for use in AGT's own range of cabinets in North America, Australia and New Zealand.
6. In addition to the above HoTs, Novomatic has entered into HoTs that are subject to the Completion of the Share Transaction. Following completion of the Share Transaction, Novomatic has committed to grant:
- Exclusive distribution rights for Novomatic's:
 - multiplayer roulette machines in Australia and New Zealand;
 - casino, hotel and club slot machines, video lottery systems amusement with price slot machines and limited payment products in Australia and New Zealand;
 - casino slot machines in Canada; and
 - Class II and Class III standalone slot machine products in North America (exclusivity being subject to a minimum purchase level).
 - Non-exclusive distribution rights in certain Asian territories¹ for Novomatic's
 - multiplayer roulette machines; and
 - casino slot machines.

¹ Singapore, Malaysia, Philippines, Cambodia, Vietnam, Macau, South Korea, Myanmar and Laos

Letter of Intent

7. The Letter of Intent outlines Novomatic's longer term commitments for commercial cooperation. The Letter of Intent mentions the intentions to cooperate in the area of research and development facilities and sourcing of componentry

Purpose of report

8. The Share Transaction would result in Novomatic acquiring an interest of 53% in the ordinary share capital of AGT.
9. Section 606 of the Corporations Act prohibits the acquisition of an interest of more than 20% of the voting shares of a company. In section 611, a number of exemptions from this general rule are set out. Specifically, it is provided in section 611 (7) that such an acquisition is permitted where the acquisition is approved by a resolution at a general meeting and no votes are cast in respect of shares held by the acquirer and its associates or the vendor and its associates.
10. The Corporations Act requires that shareholders of a company voting on a resolution pursuant to section 611 (7) be provided with all material information to assess the proposed acquisition. To meet this requirement, the directors of the company may commission an independent expert to prepare a report assessing the proposed acquisition to accompany the Notice of Meeting and Explanatory Statement sent to shareholders.
11. This report has been prepared at the request of the Independent Directors of AGT to provide an opinion in line with ASIC requirements for a section 611 (7) report and set out the reasons for our opinion.

Basis of evaluation

12. In preparing this report, we have considered guidance set out in Regulatory Guide 111 "Content of expert reports" issued by ASIC.
13. RG111 provides guidance on the matters that should be considered by independent experts in preparing reports on different transaction types and the form of opinion to be provided. For reports under section 611 (7), the opinion is required to be either that:
 - the advantages of the proposal outweigh the disadvantages or
 - that the disadvantages of the proposal outweigh the advantages
14. In preparing this opinion an independent expert needs to consider all potentially relevant implications of the proposal as well as consider a number of specific questions set out in RG111:
 - whether the vendor is receiving a premium for control;
 - the potential benefits of the transactions to the longer term financial performance of the company;
 - whether further transactions are planned between the company, the vendor and any of its associates; and
 - whether the proposal, if approved, might deter the making of a takeover offer for the company.

Limitations and reliance on information

15. In preparing this report, PwC Securities has had regard to public and non-public information. A listing of this information is detailed in Appendix B. PwC Securities has used and relied on the information set out in Appendix B and representations made to it by and on behalf of AGT.



16. PwC Securities has conducted such checks, enquiries and analysis on the information provided which it regards as appropriate for the purposes of this report; however such information and representations are not always capable of external verification or validation. Based on this evaluation, PwC Securities believes that the information used in forming the opinions in this report is reliable, complete and not misleading and is not aware of any reason to believe that material facts have been withheld. Preparation of this report does not in any way imply that PwC Securities has audited the financial statements or any other records of AGT. It has been assumed that the accounting information provided was prepared in accordance with generally accepted accounting principles.
17. PwC Securities' assessment has been made as at the date of this report. Economic conditions, market factors and performance changes may result in the report and opinion becoming outdated. PwC Securities reserves the right, but is under no obligation to review its assessments, and, if it considers it necessary to issue an addendum to this report in the light of any relevant material information which subsequently becomes known to PwC Securities prior to the Notice of Meeting and Explanatory Statement being issued.
18. This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of AGT in considering whether to vote for or against the Share Transaction. This report has not been prepared to provide information to other parties considering the purchase or sale of any securities in AGT. Accordingly, PwC Securities does not assume any responsibility for liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.
19. All value amounts in the report are denominated in Australian dollars (A\$) unless otherwise stated.

Investors should seek personal advice

20. An individual shareholder's decision in relation to the Transaction may be influenced by his or her particular circumstances. In undertaking the assessment, PwC Securities has considered the Share Transaction from the perspective of Non-Associated Shareholders as a whole. PwC Securities has not considered the effect of the Share Transaction on the particular circumstances of individual AGT shareholders, nor has it considered their individual objectives, financial situation or needs. Due to particular circumstances, individual shareholders may place different emphasis on various aspects of the Transaction from that adopted in this report. Individual AGT shareholders should seek their own financial advice.

2 Overview of AGT

Brief company history

21. AGT was established in 1995 by Mr Ainsworth in Sydney, Australia. Prior to founding AGT, Mr Ainsworth had successfully established Aristocrat Leisure Ltd (Aristocrat) in 1953. Mr Ainsworth handed control and ownership of Aristocrat to close family members in 1994.
22. AGT listed on the ASX in December 2001. The shares issued under Initial Public Offering (IPO) accounted for 43.5% of the total share capital. Since listing the company has seen the following events:
 - 2003 – company relocated to Newington (Sydney)-based headquarters and manufacturing facility
 - 2004 – approvals for California tribal gaming and Mid-West markets were gained in 2004 marking AGT's entry into the North American market
 - 2006 – acquired a licence for the manufacture of gaming equipment within the State of Minnesota and acquired a casino service industry licence from the New Jersey Casino Control Commission
 - 2007 – acquired a manufacturer's license from the Pennsylvania Gaming Control Board and Wisconsin contractor license relating to gaming
 - 2009 – AGT became a licensed manufacturer and distributor of gaming devices within the state of Nevada
 - 2010 – launch of the A560™, initially in Macau and then rolled out in Australia
 - 2012 – acquired manufacturer's and distributor's license for state of Arkansas. AGT is permitted to conduct business in 20 US states and four Canadian provinces
 - 2014 – 31 additional licenses were obtained in FY14 including 29 in the United States (26 tribal and three State), one Canadian province and an eGambling license from the Alderney Gambling Commission
 - 2015
 - Launch of AGT's social casino gaming
 - AGT acquired Nova Technologies, LLC. for US\$38 million
 - Launch of a new machine (A600™) in the Australian market

Business overview

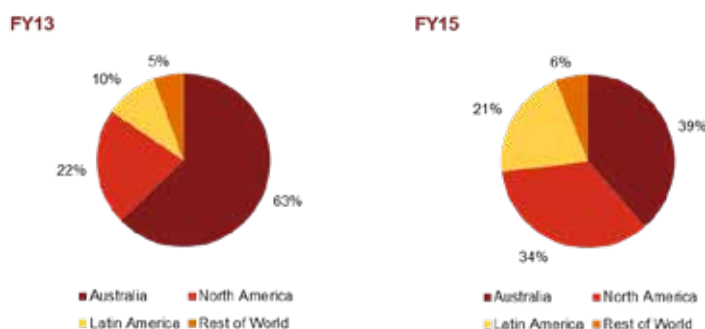
23. AGT is primarily engaged in the design, development, manufacture, leasing and sale of electronic gaming machines (EGMs) to the casino and gaming industry. The type of EGM specifically produced by AGT is the slot machine. AGT The company also has a minor presence in online gaming in both social gaming¹ and Real Money markets².
24. AGT key products include the A560 DS™, A560 SL™, A560 ST™ (slant top), A560 LB™, A560N DS™ and newly launched A600 DS™, gaming cabinets. Key games featured on these machines include Cash Adventures™, Thunder Wilds™, Double Shot™, Quad Shot™, and Sweet Zone™.

¹ Social gaming includes online casino operations. Players do not gamble with real money but play for virtual currency or prizes.

² Real Money online gaming allows players to wager real money on online variants of casino games such as poker. The Interactive Gambling Act (2001) prohibits this type of gaming in Australia.

25. An increasing proportion of revenues are derived from the America's. The proportion of North America revenue has increased from 22% in FY13 to 34% in FY15. In the same period, Latin America operations have grown from 10% of revenues in FY13 to 21% of revenues in FY15. The total proportion of revenue from Australia operations has declined from 63% to 39%.

AGT proportion of revenue by geography



Source: AGT Financial Statements for the years ended 30 June 2013 and 30 June 2015

26. As at 31 December 2015, AGT had a total of 189 licenses in North America (27 US State and 162 US tribal). AGT also has license applications pending approval with the States of Colorado and Washington and with six additional tribes.

Recent acquisition of Nova Technologies, LLC

27. In November 2015, AGT announced the acquisition of South Carolina based Nova Technologies, LLC. (Nova Technologies) for US\$38 million. Historically in the US market, AGT only sold and operated Class III gaming machines. Nova Technologies predominantly manufactures Class II gaming machines for the Native American market, complementing AGT's existing Class III gaming offering. The acquisition doubled the number of AGT's gaming units that generate recurring revenue (i.e. machines on participation) to over 2,800 in North America.

Manufacturing facilities

28. The company currently has manufacturing or assembly facilities in Newington (Sydney, Australia) and Las Vegas (Nevada, US). Sales, service and configuration for machines entering the Latin American market is undertaken in Fort Lauderdale (Florida, US).

Market share

29. AGT currently has a 23% market share of the Australian gaming machine manufacturing market. Aristocrat is the market leader in Australia with a 51% share. Aristocrat has recently increased market share in the Australian market, as a result of Aristocrat's breadth and depth of performing games and the launch of a new 'Helix' cabinet in FY15.
30. In the US, AGT is the fifth largest competitor, with approximately 5% of the market. The largest competitors in North America are IGT (30%), SciGames (25%), Konami (17%) and Aristocrat (14%).

Capital structure and ownership

31. As at 22 February 2016, AGT had a market capitalisation of A\$658.0 million and 322,566,376 ordinary shares on issue. Mr Ainsworth controls 53% of total shares on issue through direct ownership (48.87%) and through three other investment vehicles (Associated World Investments Pty Ltd, Baclupas Pty Ltd and Kjerulf David Pty Ltd). The top 20 shareholders and their respective holdings are set out in the table below:

AGT Shareholders as at 4 March 2016

Rank	Name	Shares	% held
1 ⁽¹⁾	Mr Len Ainsworth	157,648,640	48.87%
2	Votrant No 1019 Pty Ltd	28,719,638	8.90%
3	Citicorp Nominees Pty Ltd	18,517,421	5.74%
4	HSBC Custody Nominees (Australia) Ltd	16,036,192	4.97%
5	JPMorgan Nominees Australia Ltd	10,154,049	3.15%
6 ⁽¹⁾	Associated World Investments Pty Ltd	9,665,240	3.00%
7	National Nominees Ltd	7,224,287	2.24%
8 ⁽¹⁾	Baclupas Pty Ltd	4,654,043	1.44%
9	AMP Life Limited	3,680,157	1.14%
10	National Nominees Ltd	3,020,517	0.94%
11	BNP Paribas Noms Pty Ltd	2,660,379	0.82%
12	Writeman Pty Ltd	1,900,000	0.59%
13	UBS Nominees Pty Ltd	1,816,538	0.56%
14	Trinity Management Pty Ltd	1,130,678	0.35%
15	Merrill Lynch (Australia) Pty Ltd	1,094,129	0.34%
16	Casola Holdings Pty Ltd	1,070,000	0.33%
17	Mr Christian John Hastings Ainsworth	770,650	0.24%
18	BNP Paribas Nominees Pty Ltd	754,381	0.23%
19	Mr Sasha Alexander Cajkovic	690,000	0.21%
20	Miss Pattarawadee Smarkeo	684,999	0.21%
Total top 20 shareholders		271,891,938	84.29%
Top 21-50 shareholders		8,555,310	2.65%
Remaining shareholders		42,119,128	13.06%
Total all shareholders		322,566,376	100.00%

Source: Information from Management

Notes:

(1) Entities controlled by Mr Ainsworth.

Historical financial performance

32. The operating performance of AGT for the three financial years ended 30 June 2015 and for the six months to 31 December 2015 is summarised in the table below:

Income statement				
(AUD millions)	FY13	FY14	FY15	H1 FY16
Revenue	198.1	244.1	240.6	141.9
Cost of sales	(67.5)	(88.5)	(88.6)	(57.1)
Gross profit	130.6	155.6	152.0	84.8
Operating expenses	(67.5)	(77.3)	(86.3)	(51.1)
EBIT	63.1	78.2	65.7	33.7
Share of profit of equity accounted associate	-	-	-	0.2
Net interest income	3.3	3.0	3.1	1.0
Currency exchange gain/(loss)	2.9	0.8	25.6	9.8
Profit before tax	69.3	82.0	94.3	44.8
Income tax expense	(17.1)	(20.4)	(24.0)	(11.7)
Net profit	52.2	61.6	70.3	33.1
Depreciation and amortisation	8.1	10.4	16.4	10.0
EBITDA	71.2	88.6	82.1	43.7
Key metrics				
<i>Revenue growth</i>	<i>31.5%</i>	<i>23.2%</i>	<i>-1.4%</i>	<i>26.8%</i>
<i>Gross margin</i>	<i>65.9%</i>	<i>63.7%</i>	<i>63.2%</i>	<i>59.8%</i>
<i>EBITDA margin</i>	<i>35.9%</i>	<i>36.3%</i>	<i>34.1%</i>	<i>30.8%</i>
<i>EBIT margin</i>	<i>31.9%</i>	<i>32.1%</i>	<i>27.3%</i>	<i>23.8%</i>

Source: AGT Annual Reports and FY16 Half Year Financial Report

33. In relation to the historical financial performance of AGT, we note:
- In FY15 revenue declined to A\$240.6 million from A\$244.1 million in FY14 predominantly as a result of lower Australian revenues, partly offset by growth in overseas markets. Domestic revenues declined primarily due to intensive competition from Aristocrat following the launch of new games and machines.
 - The half yearly revenues to 31 December 2015 were 27% higher than the previous comparative period, driven by growth in international markets, particularly the Americas.
 - Over the three year period from FY13 to FY15 the earnings before interest, tax, depreciation and amortisation (EBITDA) margin has been broadly constant between 34.1% to 36.3%. However, in H1 FY16 EBITDA margin declined due to the impact of higher costs in the domestic market, product transition, adverse currency movements, promotional initiatives and reduced corporate and casino activity.
 - Foreign exchange gains were substantial in FY15 (A\$25.6 million) and HY FY16 (A\$9.8 million) due to the strength of the USD and the impact on significant receivables balances (predominantly in South America) denominated in USD.
34. The table below summarises AGT's operating expenses for the three financial years ended 30 June 2015 and for the six months to 31 December 2015:

Operating costs (AUD millions)	FY13	FY14	FY15	H1 FY16
Sales, service and marketing expenses	27.5	30.6	38.9	25.0
Research and development expenses	23.1	26.4	25.4	13.8
Administrative expenses	15.2	20.3	18.6	10.7
Other expenses	1.7	-	3.4	1.6
Total	67.5	77.3	86.3	51.1

Source: Annual Reports and FY16 Half Year Financial Report



- The increase in sales, service and marketing expenses in FY15 resulted from the full year impact of new products and additional sales/technical representation within the Americas.
- Research and development (R&D) expenses are the second largest component of operating expenses. R&D expenses on the income statement declined marginally in FY15.
- Development costs are also capitalised and held on the balance sheet until commercial benefits commence, costs are then amortised over a four year period. Total R&D expenditure (both capitalised and expensed) increased in FY15 to A\$32.7 million from A\$29.7 million in FY14.

R&D expenses (AUD millions)	FY13	FY14	FY15
R&D expenses	23.1	26.4	25.4
Add: capitalised	4.7	7.1	9.4
Less: amortised	(4.1)	(3.8)	(2.1)
Net R&D expense	23.7	29.7	32.7

Source: Annual Reports

- The company launched the A600™ at the Australasian Gaming Exhibition (AGE) in August 2015. This product reflected the significant research and development undertaken in prior periods and is a basis for the company's product transition strategies in all global markets.
- Administration expenses declined by 8% in FY15 as a result of cost control initiatives.

Geographical analysis

35. The table below summarises revenue by geographic territory for the financial years ended 30 June 2013, 2014 and 2015 and for the first half of the financial year ended 30 June 2016:

Revenue	FY13	FY14	FY15	H1 FY16
Australia	124.4	143.3	93.1	50.3
Americas	62.6	90.4	133.0	79.9
Asia	6.2	4.2	8.9	2.7
New Zealand	3.6	5.3	4.5	7.5
Europe/Other	1.3	1.0	1.1	1.5
Total	198.1	244.1	240.6	141.9
Growth %				
Australia	n/m	15%	-35%	n/m
Americas	n/m	44%	47%	n/m
Asia	n/m	-33%	115%	n/m
New Zealand	n/m	48%	-15%	n/m
Europe/Other	n/m	-25%	15%	n/m
Total	n/m	23%	-1%	n/m

Source: Annual Reports and FY16 Half Year Financial Report

36. The table below summarises the segment result¹ by geographic territory for the financial years ended 30 June 2013, 2014 and 2015 and for the first half of the financial year ended 30 June 2016:

Segment result ⁽¹⁾ AUD millions	FY13	FY14	FY15	H1 FY16
Australia	69.8	83.5	46.6	19.0
Americas	26.2	36.3	58.3	34.8
Asia	3.2	2.2	5.1	1.2
New Zealand	2.4	3.4	2.8	4.4
Europe/Other	0.6	0.4	0.6	0.8
Segment result	102.3	126.0	113.4	60.1
Relative % contribution (before allocation of corporate costs)				
Australia	68%	66%	41%	32%
Americas	26%	29%	51%	58%
Asia	3%	2%	5%	2%
New Zealand	2%	3%	2%	7%
Europe/Other	1%	0%	1%	1%
Total	100%	100%	100%	100%

Source: Annual Reports and FY16 Half Year Financial Report

Note (1) Segment result - profit before group interest not allocated to segments, tax, foreign currency gains, R&D expenses, corporate and administrative overheads and other expenses.

37. The table below summarises the segment result margin by geographic territory for the financial years ended 30 June 2013, 2014 and 2015 and for the first half of the financial year ended 30 June 2016:

Segment result margin ⁽¹⁾	FY13	FY14	FY15	H1 FY16
Australia	56%	58%	50%	38%
Americas	42%	40%	44%	44%
Asia	52%	54%	57%	43%
New Zealand	65%	65%	62%	59%
Europe/Other	48%	40%	54%	50%
Total	52%	52%	47%	42%

Source: Annual Reports and FY16 Half Year Financial Report

Note (1) Segment result - profit before group interest not allocated to segments, tax, foreign currency gains, R&D expenses, corporate and administrative overheads and other expenses.

Australia

38. As noted above, AGT's Australian business is the second largest geographic segment. The contribution of Australian generated PBT (pre-corporate overheads) has gradually declined from 68% in FY13 to 32% in H1 FY16.
39. In relation to the disclosed performance, we note that:
- revenue increased 15% between FY13 to FY14 with the segment result margins also increasing slightly. Growth within the Victorian market, success of the A560 gaming machine, release of new game combinations and high product performance drove increased revenues; and
 - for the period from FY14 to FY15, revenue declined 35% and margins also declined. The decline in revenue was due to changes in customer purchasing patterns, pressure from Aristocrat, delay in product approval and lower corporate and casino sales. Unit sales declined by 41% to 3,535 in FY15 compared to 6,004 in FY14.

¹ Segment result - profit before group interest not allocated to segments, tax, foreign currency gains, R&D expenses, corporate and administrative overheads and other expenses

- Revenue and margins have continued to decline in HY16. Revenue declined primarily as a result of further domestic competition and the transition to the A600 platform. Unit sales were down 8% to 1,915 in HY16 compared to 2,078 in HY15.

Americas

40. AGT's Americas business is now the largest geographic segment, generating A\$58.3 million or 51% of the total FY15 segment result. The contribution of the Americas to the segment result has increased from 26% in FY13 to 58% in H1 FY16.
41. In relation to the disclosed performance, we note that:
- revenue increased by 44% in FY14 but the segment result margin decreased marginally. The growth in revenue was driven by release of new products, footprint expansion and high performance of products such as the Multi Win™ multi game range, Rio Grande Rapids™ and Quad Shots in the Latin American market;
 - revenues increased by 47% in FY15 and margins increased marginally. Exchange rate movements, access to new markets and the release of the A560SL™ with game brands such as Sweet Zone™ and Whopper Reels™ into North America drove the increase in revenues; and
 - for the six months to 31 December 2015, revenue increased by 51% (from the previous half year to December 2014) with improved margins. This reflected currency movements, strong performance in California, entrance into new markets in North America and strong product performance of the Multi-Win range of products in Latin America.

Statement of financial position

42. The summary of financial position for AGT as at 30 June 2015 and as at 31 December 2015 is set out in the following table:

Statement of Financial Position (AUD millions)	30-Jun-15	31-Dec-15
Cash and cash equivalents	41.3	17.9
Receivables and other assets	110.7	117.9
Inventories	58.4	58.1
Other	10.7	7.7
Total current assets	221.2	201.6
Property, plant and equipment	55.3	86.9
Other non-current assets	72.2	78.6
Total non-current assets	127.5	165.5
Total assets	348.6	367.1
Trade and other payables	29.4	30.7
Borrowings	0.2	0.5
Income tax payable	13.0	4.0
Other current liabilities	9.9	6.4
Total current liabilities	52.4	41.5
Borrowings	9.3	16.5
Provisions/Deferred consideration	0.9	0.9
Deferred tax liabilities	5.5	7.6
Total non-current liabilities	15.7	25.0
Total liabilities	68.1	66.6
Net assets	280.5	300.5

Source: Annual Reports and FY16 Half Year Financial Report



Net Debt

43. As at 31 December 2015, AGT has a net cash of A\$0.9 million comprising of total interest bearing debt of A\$17.0 million and cash and cash equivalents of A\$17.9 million.
44. AGT has a debt funding facility of up to A\$90 million with the Australian and New Zealand Banking Group Limited.

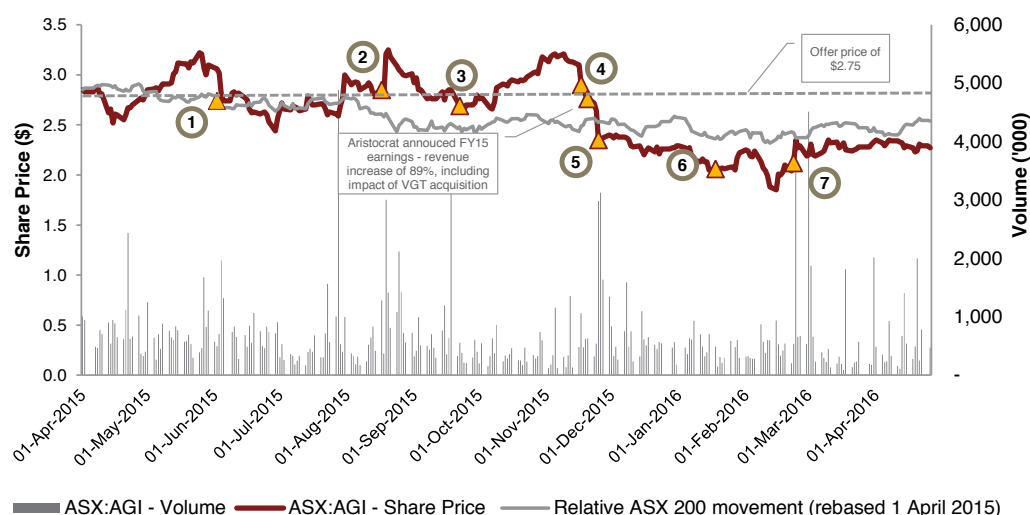
Property, plant and equipment

45. Property, plant and equipment (PP&E) was A\$86.9 million at 31 December 2015. The growth in PP&E over the six months to 31 December 2015 was primarily due to the capitalisation of significant construction costs in relation to the new Nevada manufacturing facility. In addition, there was an increase in machines placed under participation or rental agreements.

Recent share price analysis

46. The chart below sets out the AGT share price from 1 April 2015 to 26 April 2016 together with historical volumes traded and key corporate events over the period.

AGT historical share price and trading volume
April 2015 - April 2016



Source: S&P Capital IQ and ASX Announcements

Key events

1	4 June 2015	<ul style="list-style-type: none"> FY15 full year financial results guidance results announced to the ASX: Net profit after tax expected to be comparable to FY14 result of A\$61.6 million.
2	18 August 2015	<ul style="list-style-type: none"> AGT announced audited earnings results for the full year ended 30 June 2015. AGT reported a 1.4% decline in FY14 revenue Dividend of A\$0.05 per share announced.
3	21 September 2015	<ul style="list-style-type: none"> AGT was deleted from the S&P/ASX 200 Index and S&P/ASX 200 Consumer Discretionary Sector Index.
4	17 November 2015	<ul style="list-style-type: none"> AGT announced a binding agreement to acquire Nova Technologies for A\$38 million in cash.
5	25 November 2015	<ul style="list-style-type: none"> Resignation of Scott Clareborough (General Manager of Strategy and Development) from AGT announced.
6	15 January 2016	<ul style="list-style-type: none"> AGT completed the acquisition of Nova Technologies.
7	23 February 2016	<ul style="list-style-type: none"> AGT announced results for the six months ended 31 December 2015. Novomatic's intention to acquire a 53.0% interest in AGT at a price of A\$2.75 from Mr Ainsworth was announced.

Source: S&P Capital IQ and ASX Announcements



Liquidity

47. As set out in the table below, AGT's shares have traded in moderate volumes over the past few years.

Year	Days traded	Average daily price (A\$)	Average daily volume traded (millions)
2016	78	2.20	0.61
2015	254	2.76	0.74
2014	253	3.57	0.61
2013	253	3.82	0.34
2012	252	1.86	0.59

Source: S&P Capital IQ

3 *Overview of Novomatic*

48. Novomatic develops, produces, and sells gaming products, lottery technology solutions, and networked system solutions for gaming and betting markets around the world. It operates across two segments: Gaming Technology and Gaming Operations:
- **Gaming Technology** engages in the production, sale, and rental of gaming and entertainment machines, and operates in the business to business market (B2B); and
 - **Gaming Operations** operates casinos and electronic gaming machine casinos in addition to the online business to consumer business (B2C). The Gaming Operations segment also provides sports, dog racing, and horse racing betting services.
49. In addition to an online B2C business, AGT's operations would be most closely aligned to the Gaming Technology segment.
50. Novomatic operates in approximately 80 countries with approximately 1,600 gaming facilities, including casinos and hotels. It has more than 235,000 gaming devices deployed around the world (on either a lease basis or in Novomatic's casinos). As such, technology revenue streams are less volatile than those of AGT which are largely based on equipment sales.
51. Novomatic is headquartered in Austria and has production facilities and research and development centres in Germany, Great Britain, the Czech Republic, Hungary, Poland, Russia, the Netherlands, Iceland, Spain and Argentina.
52. In comparison to AGT that predominantly develops electronic gaming machines, Novomatic is a market leader in online gaming and lottery technology.
53. Novomatic has recently announced that it will form a long-term strategic partnership with Sazka Group a.s. (Sazka), (a privately held Czech company) regarding Casinos Austria. Casinos Austria owns 12 casinos in Austria, in addition to a lottery business, Austrian Lotteries. Casinos Austria also controls Casinos Austria International Ltd, with investments in several casinos and other gaming-related businesses internationally. Novomatic and Sazka agreed to pool existing interests in Casino Austria to create a joint venture company. Novomatic recently acquired two minority stakes in Casinos Austria in July 2015, totalling 28.14%. However, the final level of expected shareholding of Novomatic in the joint venture and ultimately is unknown.

Financial performance

54. The financial performance of Novomatic for the two years ended 31 December 2013 and 2014 and the half yearly results for the six months to 30 June 2015 is summarised in the table below:

Income Statement (EUR millions)	31-Dec-13	31-Dec-14	H1 FY15
Revenue	1,684.1	1,977.6	988.2
Operating Expenses	(1,203.9)	(1,330.2)	(697.4)
EBITDA	480.2	647.4	290.8
Depreciation and Amortisation	(305.4)	(284.1)	(129.0)
EBIT	174.8	363.3	161.8
Interest	(68.9)	5.1	(10.7)
Profit before tax	105.9	368.4	151.1
Income tax expense	(51)	(92)	(48)
Net Profit	55.1	276.9	103.5
Key metrics			
<i>EBITDA Margin</i>	<i>28.5%</i>	<i>32.7%</i>	<i>29.4%</i>
<i>EBIT Margin</i>	<i>10.4%</i>	<i>18.4%</i>	<i>16.4%</i>

Source: Novomatic Investor Presentation February 2016

55. The table below summarises the revenue and EBIT by business unit

Revenue (EUR millions)	31-Dec-13	31-Dec-14	H1 FY15
Revenue			
Gaming Technology	707	811	425
Gaming Operations	977	1,167	563
<i>Relative split</i>			
<i>Gaming Technology</i>	<i>42%</i>	<i>41%</i>	<i>43%</i>
<i>Gaming Operations</i>	<i>58%</i>	<i>59%</i>	<i>57%</i>
EBIT			
Gaming Technology	152	196	107
Gaming Operations	23	167	55
<i>Relative split</i>			
<i>Gaming Technology</i>	<i>87%</i>	<i>54%</i>	<i>66%</i>
<i>Gaming Operations</i>	<i>13%</i>	<i>46%</i>	<i>34%</i>
EBIT Margin			
<i>Gaming Technology</i>	<i>22%</i>	<i>24%</i>	<i>25%</i>
<i>Gaming Operations</i>	<i>2%</i>	<i>14%</i>	<i>10%</i>

Source: Novomatic Investor Presentation February 2016

56. As illustrated in the table above, the Gaming Operations division generates more revenue than the Gaming Technology division, however the Gaming Technology generates higher margins (22% to 25%) compared to Gaming Operations (2% and 14%). The overall EBIT margin of Gaming Technology division is broadly in line with that of AGT.

Financial position

57. Novomatic's financial position as at 31 December 2014 and as at 30 June 2015 is set out in the table below:

Statement of Financial Position		
(EUR millions)	31-Dec-14	30-Jun-15
Cash and equivalents	627.7	454.5
Other current assets	525.8	572.8
Total current assets	1,153.5	1,027.3
Net property, plant & equipment	799.0	806.4
Other non-current assets	678.9	788.2
Total non-current assets	1,477.9	1,594.6
Total assets	2,631.4	2,621.9
Accounts payable	317.6	348.5
Short-term debt	270.1	82.2
Other current liabilities	83.5	88.8
Total current liabilities	671.2	519.5
Long-term debt	636.6	805.3
Other non-current liabilities	152.0	161.4
Total non-current liabilities	788.6	966.7
Total liabilities	1,459.8	1,486.2
Net assets	1,171.6	1,135.7

Source: Novomatic Investor Presentation February 2016 and PwC Securities analysis

58. Novomatic borrows through corporate bond issues and credit facilities. Novomatic has an S&P BBB Corporate Rating. Based on the February 2016 Investor Presentation, total debt had increased to EUR 1,035 million at 31 December 2015. No details have been provided on the use of the proceeds.
59. Compared to AGT, Novomatic is a significantly larger entity with a higher proportion of recurring income streams driven by participation and leasing arrangements for machines and its casino operations. However its operations are more geographically concentrated, being primarily in Europe.

4 *Industry overview*

60. AGT operates within the gaming services segment of the 'Casino and Gaming' industry. Casino and gaming companies are predominantly engaged in the management and operation of facilities that provide gaming services to consumers. Gaming services include the manufacturing and sale of traditional table games such as roulette and blackjack, lotteries, sports betting, electronic gaming machines and online casino gaming operations.
61. This section of the report provides a brief overview of the global electronic gaming machine industry (the Industry) in which AGT operates.

Electronic gaming machines (EGMs)

62. EGMs include slot machines (commonly known as 'pokies' in Australia), video lottery terminals (VLTs) and electronic table games. Industry participants within this sector are primarily engaged in the design, development, manufacture, service, lease and sale of electronic gaming machines and products.
63. EGM manufacturers are generally affected by similar downstream market drivers as the broader casino and gaming industry. These include:
 - level of household discretionary income;
 - consumers propensity to gamble;
 - general demand for gaming services; and
 - degree of government regulation.
64. Key success factors in this sector include:
 - access to markets through acquisition of gaming licenses;
 - a large portfolio of game titles;
 - strong product development that leverages latest technology and market knowledge to provide innovative products and games;
 - a large global sales and distribution network to serve the various markets in which the company may operate; and
 - economies of scale and automated production processes to reduce the costs of doing business.

Industry regulations and outlook

65. The EGM industry is subject to strict regulations. The nature of such regulations are specific to the different jurisdictions. Details of the regulatory environments and industry outlooks for AGT's key markets; Australia and the Americas are detailed below.

Australia

66. The Australian EGM market is subject to strict regulations. The number of machines permitted in each of the various states and territories is capped. Whilst each State has its own legislation regarding gaming machines, generally hotels and clubs throughout Australia are permitted to operate a gaming machine only if they have a Gaming Machine Entitlement (GME). The maximum number of gaming machines a venue is allowed to operate is known as its Gaming Machine Threshold (GMT). A venue must have a GME for each machine it wishes to operate. GMEs can be sold or traded between venues but venues may not exceed their GMT. Additionally, GMEs are sold or traded in blocks (usually 2 or 3), and when traded one GME is forfeited, reducing the total number of GMEs available in the state. This scheme is known as the 'cap and trade' scheme.
67. In 2015, there were approximately 197,000 gaming machines in operation in Australia. This number is expected to decline in the short-term under cap and trade schemes decline in the number of venues and pressure from anti-gambling lobbies. This, along with extended replacement cycles is expected to constrain sales and limit growth opportunities in the Australian EGM market.

North America

68. The US gaming market is generally divided into two segments: casino gaming and tribal gaming. Tribal gaming is regulated under the Indian Gaming Regulatory Act (1988). The Act classifies gaming into three classes:
- Class I games are confined to traditional Indian gaming and social gaming for minimal prizes. This version of gaming is the responsibility of Native tribes and not regulated under the Act;
 - Class II includes games such as bingo and non-banked card games such as poker. Class II gaming is primarily regulated by tribal governments and the National Indian Gaming Commission; and
 - Class III games includes those that are not specifically defined by Class I or II. These are games commonly played at casinos and include slot machines, electronic table games, blackjack and roulette. Tribes that wish to provide Class III games must obtain approval from the Federal Government of their State-tribe compacts and Tribal gaming ordinance.
69. For an entity to manufacture or distribute EGMs in the United States, it must first obtain a license for each jurisdiction in which it wishes to operate. Each jurisdiction has its own laws regarding the provision of either commercial (casino) gaming or tribal gaming. The time and costs of obtaining a license can vary from State to State. Distributors and manufacturers are subject to periodic regulatory and statutory compliance reviews from State gaming authorities.

South America

70. There is little information available regarding the EGM market in South America. The South American markets appear to be relatively less mature than the Australian and US market. Previously the South American markets were not regulated, but are now becoming more regulated. Gambling is currently illegal in Brazil and as such there is no EGM market in Brazil.

Europe

71. The European gaming market was estimated at approximately EUR 121 billion in 2014. Lotteries and bingos account for the largest share of the gaming market (41%), with arcades/street markets and casinos accounting for 25% and 13% respectively. Total gaming revenues in Europe have increased from EUR 114 billion in 2010 to EUR 122 billion in 2014. Gaming revenues are expected to increase to EUR 133 billion by 2018. The forecast increase is expected to be largely driven by the increase in lotteries and bingo, with arcades, street markets and casino revenues expecting to remain broadly flat.
72. The European gaming market has been impacted by the global financial crisis, stricter regulations, introduction of smoking bans, the ongoing competition from unregulated forms of gaming and structural changes in the respective markets. Land based operators throughout Europe are also burdened by heavy gaming taxes.
73. Gambling was made illegal in Russia, in 2009, in all but four small states. As such, the current market for casinos and electronic gaming machines is limited, however there is some prospect of this market reopening.

Asia

74. The Asian market is dominated by the Chinese and Japanese markets which account for 34% and 16% of the total Asia-Pacific casino and gaming sector respectively. Gambling (with the exception of lotteries) is illegal in mainland China. Gambling is however allowed in Macau and Hong Kong. Recently Chinese citizens have been allowed access to Macau, stimulating growth in the casino and gaming sector. Large EGM manufacturers such as International Game Technology and Scientific Games have a significant presence in the market. EGM manufacturers are expected to benefit from the continued growth in the casinos market.
75. The Japanese EGM market is restricted to traditional Pachinko and Pachislot machines as casino style games are illegal. Major Pachinko and Pachislot manufacturers include Konami, Universal Entertainment Corporation and Heiwa Corporation.

Outlook

76. The maturity of the Australian and North American markets has driven established EGM manufacturers to seek growth through acquiring competitors or complementary businesses, or developing an online presence. As a result, there has been significant industry consolidation in recent years with a number of large-scale mergers.

Industry consolidation and major players

77. Details of a number of recent mergers and takeovers in the EGM industry are listed below:

Announcement Date	Completion Date	Target	Buyer	Deal Size (A\$ million)	Comments
17 Nov-15	15 Jan-16	Nova Technologies, LLC	AGT	53	Nova Technologies specialises in Class II gaming complementing AGT's existing Class III products
30 Mar-15	1 Jun-15	Cadillac Jack, Inc. (Cadillac)	AGS, LLC (AGS)	491	Cadillac was sold by Amaya, Inc. to AGS in March 2015. Cadillac primarily manufactures Class II and III gaming machines for the US and Mexico markets. The sale signified Amaya's strategic shift towards the online and interactive gaming market after it acquired Rational Group Limited in 2014. AGS manufactures Class II and III machines primarily for the US market
08 Sep-14	19 Dec-14	Multimedia Games Holding Company, Inc.	Global Cash Access Holdings, Inc.	1,195	Global Cash Access traditionally operated cash-access options such as ATMs, point of sale and jackpot kiosks. Multimedia primarily manufactures slot machines and lottery terminals.
01 Aug-14	21 Nov-14	Bally Technologies, Inc. (Bally)	Scientific Games Corporation (SciGames)	5,527	Bally was acquired by SciGames in August 2014 for A\$5.5 billion. The mega-merger created one of the largest gaming machine and equipment manufacturers in the world, rivaling International Games Limited. Consolidation of operations and increased efficiencies was expected to deliver US\$220m of annual cost synergies to SciGames. Pre-transaction the two entities were generating combined revenues of approximately US\$3.0 billion.
16 Jul-14	7 Apr-15	International Game Technology (IGT)	GTECH S.p.A. (GTECH)	6,939	GTECH agreed to acquire IGT for A\$6.9bn in July 2014. GTECH is the largest operator of lotteries in the world and IGT is the world's largest slot machine manufacturer. The merger was expected to generate annual cost savings of US\$280 million by 2018. The two entities combined under a new holding company named International Game Technology PLC and based in the UK.
06 Jul-14	20 Oct-14	Video Gaming Technologies, Inc. (VGT)	Aristocrat Leisure Ltd.	1,372	Aristocrat acquired VGT, Inc in July 2014 for A\$1.4 billion. VGT primarily serves the Native American tribal market through manufacture of Class II bingo-style games. The deal is expected to immediately grow Aristocrat's presence in the US market through the complementary product offering. The merger also saw the expansion of Aristocrat's gaming operations, with recurring revenue units increasing from c. 8,200 to 28,400
16 Jul-13	25 Nov-13	SHFL entertainment, Inc.	Bally Technologies, Inc.	1,499	SHFL (formerly Shuffle Master) specialised in table games and equipment such as automated card shufflers, diversifying Bally's product range
31 Jan-13	18 Oct-13	WMS Industries Inc.	Scientific Games Corporation	1,495	Reported to be the first major deal in the sector following the global financial crisis

Source: S&P Capital IQ and PwC Securities Analysis

78. Given the requirement for regulatory approvals to complete transactions, the time between announcement and completion can be substantial. The time between announcement and completion for the acquisition of IGT by GTECH was close to nine months.
79. As a result of the large-scale industry consolidation, the global EGM market is increasingly serviced by a small number of manufacturers operating in multiple jurisdictions and geographies. A summary of the major players and competitors by geographical region is set out below:

Relative market position	Australia	North America	Latin America	Europe	Asia
1	Aristocrat Leisure Ltd	Scientific Games Corporation	Ainsworth Game Technology Ltd	Novomatic AG	Aristocrat Leisure Ltd
2	Ainsworth Game Technology Ltd	International Game Technology	Novomatic AG	Gauselmann AG (Germany)	Scientific Games Corporation
3	International Game Technology	Aristocrat Leisure Ltd	Aristocrat Leisure Ltd	Recreativos Franco SA (Spain)	International Game Technology
4	Scientific Games Corporation	Konami Holdings Corporation	International Game Technology	International Game Technology ¹	Konami Holdings Corporation
5	Konami Holdings Corporation	Ainsworth Game Technology Ltd	Scientific Games Corporation ¹	Scientific Games Corporation ¹	Ainsworth Game Technology Ltd

Source: Information from Management and PwC Securities Analysis

Note (1): These participants have a relatively minor presence in these markets. Other local companies may operate in these markets but generally operate within national borders.

80. As illustrated above, AGT has a significant presence in every market with the exception of Europe. Novomatic predominantly operates in the European market but also has a significant presence in the Latin America market and a lesser presence in other markets.



5 Evaluation of the Share Transaction

81. To evaluate the Share Transaction, we have assessed:

- whether the Share Transaction includes a premium for control;
- the impact of the Share Transaction on the longer term financial performance;
- the contractual framework for transactions with Novomatic following the Share Transaction;
- the impact of rejection of the Share Transaction by Non-Associated Shareholders; and
- nature of other transactions between AGT and the vendor.

5.1 The Share Transaction includes a premium for control

82. The offer of A\$2.75 per share (the Offer) made by Novomatic for the 53% interest in AGT owned by Mr Ainsworth reflects a premium for control.

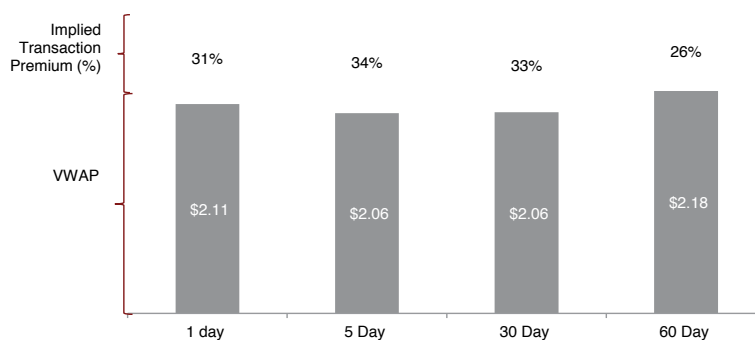
83. To consider the extent of the premium, we have:

- considered the premium implied by the Offer over the share price in the period leading up to the announcement date and also following the announcement date to 26 April 2016; and
- considered the fundamental value of AGT on a control basis and compared it to the price received by Mr Ainsworth.

Implied premium relative to AGT share price observations

84. We have analysed the Volume Weighted Average Price (VWAP) of the shares prior to the announcement date on 23 February 2016. The table below sets out the VWAP for set periods prior to the announcement date.

VWAP and implied transaction premium prior to 23 February 2016



Source: S&P Capital IQ and PwC Securities analysis



85. Based on the Offer share price of A\$2.75 and the range of VWAPs assessed above, the premium implied by the Share Transaction ranges from 26% and 34% (33% based on the 30 day VWAP).
86. Since the announcement of the Share Transaction, the share price has increased. The closing share price as at 26 April 2016 was \$2.27 implying a premium of 21%.

Implied premium based on the fundamental valuation of the business

87. We have undertaken a fundamental valuation analysis to assess the fair value of AGT shares on a controlling basis. Our assessment of value is strictly for the purposes of assessing whether the pricing of the Share Transaction includes a control premium.

Valuation approach

88. There is no single generally accepted approach to determining the value of shares and the approach adopted depends upon the specific circumstances. PwC Securities has considered common market practices and the valuation methodologies recommended by ASIC Practice Note 43 – “Valuation Reports and Profit Forecasts” and guidance provided by RG 111. The approaches PwC Securities has considered are discussed below.

- **Discounted cash flow (DCF) approach** – estimates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows. This approach is typical for companies with:
 - high levels of growth;
 - reasonably accurate forecast cash flows;
 - earnings or cash flows that are expected to fluctuate from year to year or are of a limited life; and
 - irregular capital expenditure requirements.
- **Market based approaches** – estimates the value of a company through reference to the market value of comparable companies and trading in the company’s own shares. The capitalisation of earnings approach is the most common approach. The **capitalisation of earnings** method is commonly used for the valuation of relatively mature businesses. The method involves the application of an earnings multiple (derived from an analysis of comparable companies and/or transactions) to an assessment of the maintainable earnings of a business.
- **Asset based approach** – analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. An asset based approach is typically used for asset rich companies, dormant companies or loss making companies. It is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

Approach adopted

89. PwC Securities has adopted the capitalisation of earnings approach as the valuation approach based on the following considerations:
- the established, mature nature of the AGT businesses;
 - the relative stability of earnings trends of AGT; and
 - the availability of information in respect of broadly comparable transactions and companies.
90. Adopting the capitalisation of earnings approach, PwC Securities has relied on the earnings multiples implied by recent guideline transactions (Guideline Transactions) and the observed earnings multiples implied by current valuations of guideline listed companies (Guideline Listed Companies) in the electronic gaming machine and also the broader gaming sector.
91. To assess the value of AGT under the capitalisation of earnings approach, we have undertaken the following approach:
- identified the current level of maintainable earnings for AGT;
 - determined an appropriate capitalisation multiple to apply to the maintainable earnings;
 - adjusting the derived value for any surplus assets or liabilities; and
92. Each of these elements of the assessment of value is discussed in the sections below.

Estimation of maintainable earnings

93. In determining the level of maintainable EBITDA for AGT, PwC Securities has primarily had regard to the underlying, maintainable EBITDA for the latest twelve months (LTM) to 31 December 2015, and to a lesser extent, the FY16 earnings guidance AGT has provided to the market.
94. In selecting the capitalisation of EBITDA as the primary methodology, PwC Securities has had regard to the fact that EBITDA:
- is not distorted by the effects of different gearing levels or taxation positions of comparable companies; and
 - is not distorted by the difference in depreciation or amortisation policies or profiles of comparable companies brought about by differences in growth (organic or by acquisition) of comparable companies or transactions.
95. The maintainable earnings of a business represents an estimate of the earnings the business could be expected to achieve on a maintainable basis in its current form, under current market conditions. AGT's reported earnings for the LTM to 31 December 2015 are set out in the table below.

Financial period ended AUD (000)	FY15	LTM
Revenue	240,643	270,625
Cost of sales	(88,640)	(104,259)
Gross profit	152,003	166,366
Other income	445	447
Sales, service and marketing expenses	(38,943)	(45,771)
Administrative expenses	(18,606)	(20,414)
R&D expense	(25,431)	(27,799)
Other expenses	(3,815)	(3,089)
Total operating expenses	(86,350)	(96,626)
Results from operating activities (reported)	65,653	69,740
Depreciation and amortisation	16,419	20,340
EBITDA (reported)	82,072	90,080

Source: AGT annual report FY15, AGT Half year report 31 December 2015, Capital IQ

96. In assessing a maintainable level of earnings for AGT, PwC Securities has made the following adjustments to the LTM EBITDA of A\$90.1 million to arrive at a maintainable EBITDA figure on an LTM basis of A\$92.5 million:
- added back impairment charges of A\$1.4 million related to the termination of a Latin America distributorship;
 - added back losses relating to the disposal of assets of A\$0.6 million; and
 - added back one-off expenses of A\$0.5 million relating to the evaluation of strategic opportunities.
97. A summary of the maintainable EBITDA calculation is set out below:

Normalisation adjustments AUD (000)	FY15	LTM
EBITDA (reported)	82,072	90,080
Normalisation adjustments		
Add back:		
Loss on sale of asset (1)	678	625
One-off strategic opportunity costs (2)	1,900	500
One-off impairment losses (3)	1,400	1,400
Total normalisation adjustments	3,978	2,525
Calculated maintainable EBITDA	86,050	92,605
Assessed maintainable EBITDA		92,500

Source: AGT annual report FY15, AGT half year report 31 December 2015, AGT half year report 31 December 2014, S&P Capital IQ

Notes:

(1): Loss on sale related to the sale of fixed assets.

(2): Costs incurred associated with the evaluation of strategic opportunities.

(3): Impairment losses on trade receivables related to the termination of a distributor arrangement.

98. To sense check our assessed maintainable EBITDA of A\$92.5 million, we have had regard to market expectations for the EBITDA of AGT in FY16 estimated by equity analysts. These estimates range from between A\$91.0 million and A\$96.4 million and are broadly in line with Management guidance.



Assessment of capitalisation multiple

99. To assess an appropriate EBTIDA multiple at which to capitalise the maintainable earnings measure, we have had regard to recent Guideline Transactions and Guideline Listed Companies. In selecting an appropriate multiple, we have had consideration of the following:

- relative size and scale of the subject company compared to recent transactions and guideline listed companies;
- specific growth prospects of the subject company in comparison to recent acquisitions and guideline listed companies;
- degree of diversification inherent in the subject company compared to recent acquisitions and guideline listed companies;
- the subject company's market position and the local regulatory environment; and
- other relevant factors including general economic conditions and degree of relative risk.

Guideline Transactions

100. With respect to Guideline Transactions, we have screened the market for recent transactions in the electronic gaming machine industry. Given the global nature of this market, we have had regard to transactions that occurred in Australia, Europe and the United States.



101. The following table provides a summary of the enterprise value (EV) multiples for LTM EBITDA, together with the earnings before interest and tax (EBIT) for a number of transaction and trading companies whose activities are broadly comparable to AGT. These reported multiples include a control premium. A more detailed summary, including brief descriptions of the business activities of each target, is provided in Appendix D.

Target	Buyer	Target location	Close date	Implied EV (A\$ m)	Implied transaction multiples		Stake acquired
					LTM EV/ EBITDA	LTM EV/ EBIT	
Nova Technologies, LLC	Ainsworth Game Technology Ltd.	United States	15-Jan-16	53	8.5x	n/a	100%
Cadillac Jack, Inc.	AGS, LLC	United States	1-Jun-15	491	8.7x	n/a	100%
International Game Technology	GTECH S.p.A.	United States	7-Apr-15	6,688	9.4x	13.5x	100%
Multimedia Games Holding Company, Inc.	Global Cash Access Holdings, Inc.	United States	19-Dec-14	1,055	9.5x	16.7x	100%
Bally Technologies, Inc.	Scientific Games Corporation	United States	21-Nov-14	5,444	12.1x	17.6x	100%
Video Gaming Technologies, Inc.	Aristocrat Leisure Ltd.	United States	20-Oct-14	1,372	8.2x	10.8x	100%
Amaya Group Holdings (IOM) Limited	Amaya Gaming Group Inc.	United Kingdom	1-Aug-14	5,524	12.4x	12.1x	100%
Casino One Corporation	Tropicana Entertainment Inc.	United States	1-Apr-14	283	n/a	n/a	100%
SHFL entertainment, Inc.	Bally Technologies, Inc.	United States	25-Nov-13	1,455	16.1x	23.6x	100%
WMS Industries Inc.	Scientific Games Corporation	United States	18-Oct-13	1,425	7.6x	17.6x	100%
Cadillac Jack, Inc.	Amaya Gaming Group Inc.	United States	5-Nov-12	169	5.0x	n/a	100%

Source: Capital IQ, press releases

Notes:

(1) nka: now known as

(2) Search was limited to recent transactions within the gambling sector internationally

(3) n/a: lack of information available

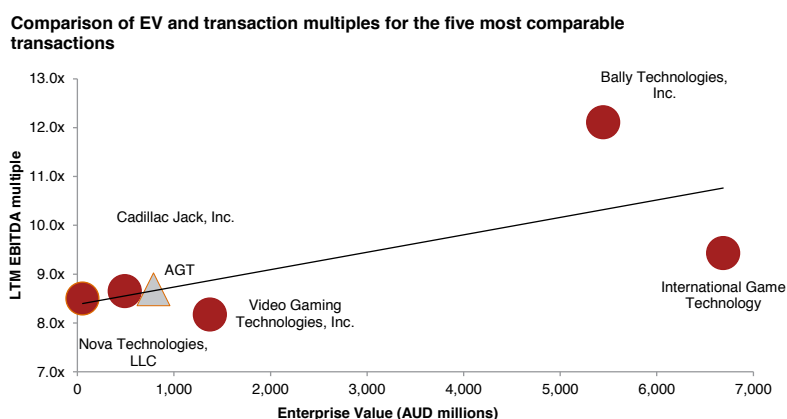
102. In assessing an appropriate EBITDA multiple for AGT based on the Guideline Transactions, we note:

- five of the transactions have been assessed to provide a higher degree of comparability based on our assessment of the target's operations. These are highlighted in grey in the table above. We believe that the remaining transactions do not provide as much comparability given the differences in operating regions, position in the supply chain and diversity of operations and products;
- of the five more comparable transactions highlighted above, the implied LTM EBITDA multiples ranged from 8.2x at the low end to 12.1x at the upper end of the range. The 12.1x multiple relates to the acquisition of Bally Technologies Inc (Bally) by Scientific Games Corporation (SciGames) (the Bally Transaction). Excluding the Bally Transaction, the implied LTM EBITDA multiples fell within a relatively tight range of between 8.2x and 9.4x;



- there appears to be a degree of correlation between the implied multiple and the size of the transaction. The Bally Transaction which traded at 12.1x was over five times the size of AGT. The acquisition of International Game Technology (IGT) by GTECH S.p.A (GTECH) (the IGT Transaction) occurred at a 9.4x EBITDA and was valued at over A\$6.5 billion;
- whilst the Bally Transaction and the IGT Transaction were comparable in size, the EBITDA multiple implied by the Bally Transaction was higher than that of IGT due to:
 - Bally’s higher level of growth in recent years relative to IGT. Whilst some of this growth was acquisition driven, after adjusting for the likely impact of the acquisitions, the underlying historical growth rate was still higher;
 - Bally’s growth trend was expected to continue in the future, with equity analysts forecasting materially higher earnings growth relative to IGT;
 - Bally reportedly had a stronger content library than IGT, given comments in the market regarding the lower quality of IGT’s content and expectations that IGT would lose market share relative to Bally;
 - a similar level of synergies were expected in both the Bally Transaction and IGT transaction. The Bally Transaction disclosed expected synergies of USD 245 million per annum, comprising USD 220 million in annual cost savings and USD 25 million of annual capital expenditure savings. Whilst USD 280 million of synergies were expected to be generated by the IGT Transaction; and
 - whilst these levels of synergies are substantially higher than those forecast for AGT, these companies were substantially larger and involved transactions with higher levels of geographic overlap.

103. The correlation between implied LTM EBITDA multiple and Enterprise Value is set out in the chart below.



Source: S&P Capital IQ

104. Given the relative size of AGT in relation to the Guideline Transactions, a multiple below that of the 12.1x implied by the Bally Transaction is appropriate. As set out on the chart above, based on the regression line and an enterprise value of A\$789 million (based on the 22 February 2016 share price the implied multiple would be 8.7x.

Guideline Listed Companies

105. With regards to Guideline Listed Companies, we have identified four companies that operate in the electronic gaming machine market and broader gaming industries.
106. The following table sets out a summary of the LTM multiples on a controlling basis for AGT and the selected Guideline Listed Companies. The LTM EBITDA multiples are based on publicly available information. A more detailed summary, including brief description of the business activities of each company, is provided in Appendix D.

	Country of domicile	Market capitalisation (\$m)	Enterprise value (\$m)	Financial year end	EV/EBITDA ⁽¹⁾		
					LTM	FY+1	FY+2
Electronic gaming machine manufacturers							
Ainsworth Game Technology Ltd.	Australia	790	789	30 June	8.5x	8.3x	6.9x
Aristocrat Leisure Ltd.	Australia	7,653	9,096	30 September	19.7x	15.3x	13.6x
Scientific Games Corporation	United States	912	12,100	31 December	10.5x	8.9x	7.5x
International Game Technology PLC	United Kingdom	4,842	16,176	31 December	9.4x	6.6x	n/a
Entertainment Gaming Asia Inc.	Hong Kong	41	2	31 December	n/m	n/a	n/a
Average					12.0x	9.8x	9.3x
Median					10.0x	8.6x	7.5x
Other gaming							
NYX Gaming Group Limited	Channel Islands	164	266	31 December	n/m	18.7x	7.7x
Amaya, Inc.	Canada	3,119	6,530	31 December	15.9x	12.4x	9.6x
Konami Holdings Corporation	Japan	5,649	4,787	31 March	8.7x	8.6x	8.4x
Intralot SA	Greece	333	1,190	31 December	5.0x	4.5x	4.0x
Tatts Group Limited	Australia	7,205	7,654	30 June	15.5x	14.5x	13.1x
Tabcorp Holdings Ltd.	Australia	4,280	5,284	30 June	11.6x	10.0x	9.6x
Churchill Downs Inc.	United States	3,428	4,406	31 December	11.0x	9.8x	8.7x
Berjaya Sports Toto Berhad	Malaysia	1,695	1,838	30 April	11.7x	10.8x	10.4x
Average					11.3x	11.2x	8.9x
Median					11.6x	10.4x	9.1x

Source: S&P Capital IQ, as at 22 February 2016

Notes:

(1) Prospective multiples (FY+1 and FY+2) have been calendarised to align with AGT's year end of 30 June.

(2) Multiples shown on a control basis incorporating a 20% control premium. Publicly available research indicates that the average equity control premium in Australia for full control has been in the order of 15% to 35%, however this varies widely depending on the circumstances and may, in some circumstances, include an element reflecting a strategic premium paid by purchasers.

107. The average LTM EBITDA multiples across the EGM manufacturers is 12.0x with a median of 10.0x. On average, the guideline listed companies that operate in the broader gaming market trade on a LTM EBITDA multiple of 11.3x, with a median of 11.6x.
108. Aristocrat appears to be the most comparable to AGT in terms of operational activity and geographic spread. Aristocrat trades on an LTM multiple of 19.7x on a controlling basis. Whilst comparable from an operational perspective, we note:



- Aristocrat is expected to generate a higher level of EBITDA growth over the coming years. Based on market estimates, Aristocrat is expected to generate 40% growth in EBITDA in FY16 from FY15, relative to 19% for AGT. Over the next two years from FY15 to FY17, the average EBITDA growth for Aristocrat is expected to be 22% compared to 17% for AGT;
 - Aristocrat commands a larger market share in both the Australian and North American markets. Aristocrat has a strong brand within these markets;
 - Aristocrat is geographically more diverse than AGT, with a greater reach across North America and also with its operations in Class III machines internationally; and
 - Aristocrat has a greater proportion of recurring revenue than AGT.
109. Given the above, PwC Securities estimates that the assessed multiple for AGT should be at a significant discount to that of Aristocrat.

Selected multiple

110. Having had regard to the above, for the purposes of this valuation, we have adopted a LTM EBITDA (on a controlling basis) of between **8.5x** and **11.0x**.

Valuation conclusion

111. Based on the above, multiplying the assessed maintainable EBITDA of A\$93 million by the adopted multiples of 8.5x and 11.0x, we assess the Enterprise Value of AGT to be between **A\$786.3 million** and **A\$1.0 billion**.

Capitalisation of earnings approach

(A\$ '000s)	Low	High
Maintainable EBITDA (LTM)	92,500	92,500
Adopted multiple (controlling basis)	8.5x	11.0x
Enterprise value	786,250	1,017,500

Source: PwC Securities analysis

112. To assess the fair value of the equity for AGT PwC Securities has added the current net cash position of A\$0.9 million to the Enterprise Value. PwC Securities estimate the fair value of the total equity (on a 100% basis) to be between **A\$787.1 million** and **A\$1.0 billion**.
113. PwC Securities has not identified any assets considered surplus in nature for AGT. No adjustment is therefore required.



114. On a per share basis, PwC Securities has assessed the value of AGT on a per share basis to be between **A\$2.45** and **A\$3.15**, with a midpoint of **A\$2.80**. Our calculations are set out in the table below.

Capitalisation of earnings approach		
(A\$ '000s)	Low	High
Maintainable EBITDA (LTM)	92,500	92,500
Adopted multiple (controlling basis)	8.5x	11.0x
Enterprise value	786,250	1,017,500
Total debt	17,030	17,030
Cash	17,918	17,918
Add: net cash	888	888
Equity value (controlling basis)	787,138	1,018,388
Shares outstanding	322,566	322,566
Implied value per share (A\$, controlling value)	2.44	3.16
Estimated value per share (A\$, rounded)	2.45	3.15

Source: S&P Capital IQ, AGT

Conclusion

115. The Offer of A\$2.75 is within the range assessed by PwC Securities for AGT on a controlling basis. As such, the offer includes a premium for control.

Cross checks

116. To cross check the assessed value range of between A\$2.45 and A\$3.15, we have had regard to recent valuations and share price targets communicated to the market by equity analysts. Whilst the broker reports do not address the control premium explicitly, we note that the value range assessed above is not inconsistent with the twelve month share price targets estimated in broker reports issued around the date of the announcement.

5.2 The impact of the Share Transaction on longer term financial performance of AGT

117. The Explanatory Statement sets out the benefits that are expected to be generated by AGT as a result of the Share Transaction and the Proposed Transaction. The assessment of these benefits have been based on calculations by AGT management, which have been reviewed and approved by the Independent Directors.
118. The Independent Directors have estimated the financial impact of five benefits of the Proposed Transaction:
- access to Novomatic’s game library;
 - increased distribution of AGT products into Europe;
 - distribution of Novomatic products into the US;
 - access to procurement savings; and
 - collaboration in online and social gaming.
119. The Independent Directors have estimated a total of A\$10.6 million of benefits (before tax) in FY17 and A\$26.9 million before tax in FY18. In FY18, A\$24.7 million of the A\$26.9 million is expected to be recurring. A breakdown of the quantified benefits is set out below:

Benefit (AUD million)	FY16	FY17	FY18	Two year total	% of total
Access to game library	-	4.0	16.7	20.8	55%
European distribution agreements	-	5.2	5.2	10.4	28%
Distribution into the US	-	-	0.9	0.9	2%
Cost savings	-	1.0	3.4	4.4	12%
Online and social gaming benefits	-	0.3	0.7	1.0	3%
Total benefits	-	10.6	26.9	37.4	100%
less non-recurring benefits (250 complete EGMs)		(2.2)	(2.2)	(4.4)	-12%
Total recurring benefits	-	8.4	24.7	33.1	88%

Source: Explanatory Statement

120. Anticipated recurring benefits of A\$24.7 million in FY18 are the equivalent to an uplift in our historical maintainable earnings estimate of 27%. The Independent Directors anticipate these incremental benefits to continue beyond FY18 (and to potentially grow further). In relation to the benefits:
- over 50% of the benefits over the next two financial years are expected to be derived from access to Novomatic’s game library at a very low cost (AGT will in return provide Novomatic with access to its games library on the same terms). Novomatic and AGT have games libraries comprising of approximately 540 and 650 titles respectively. AGT’s ability to access Novomatic’s game library and customise these are projected to improve AGT’s competitive position in the market and materially increase market share in key territories (in particular Australia and North America). The Independent Directors expect the A\$16.7 million of benefits to be driven by:
 - the improvement of AGT’s share of the replacement machines market in Australia by 5%. The Independent Directors expect to capture an additional 800 units by FY18 through the release of additional Novomatic sourced games into the market. This would represent an

increase in AGT's current market share from 23% to 28% in Australia. The assumed increase in market share is not inconsistent with levels previously achieved by AGT. Based on current prices and manufacturing costs, the gross margin benefit derived from the Australian market would be approximately A\$9.6 million per annum;

- improvement of AGT's share of the North America replacement market by 2.5% from around 5%. The Independent Directors expect to sell an additional 1,250 units per annum by FY18 through the release of additional Novomatic sourced games into the market. Based on current prices, manufacturing costs and exchange rates, the increase in market share in the North America is expected to derive an incremental A\$16.4 million of gross margin per annum;
 - to enable AGT to adapt Novomatic games for use on AGT machines, costs will be incurred in making adjustments to game software and obtaining regulatory approvals. The Independent Directors expect incremental costs to be approximately A\$9.3 million in FY18; and
 - we note that, under the HoTs, AGT's ability to access the Novomatic games library expires after four years. At the end of the four year period, the terms of AGT's access to the Novomatic library would need to be renegotiated. While the Independent Directors consider renegotiation on similar terms is reasonable based on the mutuality of the arrangement, there is some risk in relation to continued access.
- A\$5.2 million of benefits are expected to be generated in each of the 2017 and 2018 financial years through the distribution of 1,000 AGT kits and 250 complete EGMs by Novomatic into the European market. Novomatic will distribute these kits through AUK. Management expect the benefits relating to the 1,000 kits to continue following FY18. However, the supply of 1,000 kits in FY17 and FY18 are the only volume benefits explicitly quantified in the HoTs. No agreements are in place for the distribution of the complete EGMs and therefore the continuation of this benefit of A\$2.2 million beyond FY18 is uncertain and has not been included in the assessment of long-term benefits.
 - In the short term, the Independent Directors have identified A\$0.9 million of potential initial benefits in FY18 that may generated from the distribution of Novomatic's products into North America. Higher levels of benefits are expected to be generated from this exclusive distribution right beyond FY18. The exclusive nature of the distribution rights into North America is subject to minimum quantities. Minimum quantities will be subject to negotiation following the completion of the Share Transaction, however the Independent Directors expect the quantities to be achievable.
 - the remaining benefits comprise cost savings on the sourcing of components and online and social gaming benefits:
 - AGT anticipate access to Novomatic's "*special sourcing conditions*", which are forecast to generate cost savings of A\$3.4 million per annum from FY18.
 - Benefits of approximately A\$0.7 million are projected in FY18 from the online and social gaming channels. The Independent Directors expect to benefit by supplying land-based game titles to Novomatic for distribution through their online and social channels (Greentube). The benefits reflect licensing and royalty fees paid to AGT.
 - In addition to the above, there are also expected cost savings from the co-operation in the area of research and development, although these have not been quantified.

121. Beyond this finite period of two years, benefits are anticipated by the Independent Directors from Novomatic's commitment to grant AGT:

- Exclusive distribution rights for Novomatic's:

- multiplayer roulette machines in Australia;
 - slot machines, video lottery systems amusement with price slot machines and limited payment products in Australia and New Zealand; and
 - casino slot machines in Canada;
 - Non-exclusive distribution rights in certain Asian territories for Novomatic's
 - multiplayer roulette machines; and
 - casino slot machines.
122. The timing and achievement of the above benefits is uncertain and subject to risks. Specifically only one of the above benefits, the European distribution agreement (relating to the supply of 2,000 kits into Europe) is subject of a binding agreement and the balance reflect assumed performance benefits projected to arise from the collaboration.
123. While the exact make up of benefits that will be generated by AGT by the collaboration with Novomatic will depend on future events, we consider the broad proposition that the collaboration will generate significant financial benefits in line with those assessed by the Independent Directors is reasonable and consistent with our understanding of the key business drivers for AGT.
124. To estimate the impact of the benefits for the Non-Associated Shareholders, we have sought to calculate the potential impact on the share price if all projected benefits forecast are achieved. To estimate this, we have capitalised the estimated FY18 benefits of A\$24.7 million using a forward multiple range of 4.0x to 5.5x to reflect the risks and the fact that earnings are not achieved for two years (as a point of reference AGT's forward FY18 trading multiple at the time of the announcement of the Share Transaction on a minority interest basis was 5.1x).
125. On this basis, we estimate that there would be a positive impact on the AGT share price of between A\$0.31 and A\$0.42 (15% to 20% of the pre-announcement share price). This potential share price increase compares to the premium per share of A\$0.69 being received by Mr Ainsworth, calculated based as the difference between the offer price of A\$2.75 and the pre-announcement 30 day VWAP of A\$2.06.

5.3 Contractual framework for transactions with Novomatic following the proposed Share Transaction

126. The Explanatory Statement sets out information relating to Heads of Terms (HOTs) and other arrangements negotiated between AGT and Novomatic in relation to certain transactions between the two companies following the proposed Share Transaction.
127. In the context of future trading between AGT and Novomatic and collaboration to achieve the transactions benefits set out in the Explanatory Statement and analysed in section 5.2 of this report, the key matters set out in the HoTs are:
- the provision by AGT and Novomatic to each other of their respective game content at a nominal price for use and adaptation in each company's products in respective territories. AGT could utilise and adapt Novomatic game content in the Australia, New Zealand, North America and Asia markets while Novomatic could utilise and adapt AGT game content in the United Kingdom, Ireland and all of Europe including Russia. The agreement covers an initial period of four years;
 - AGT distributing Novomatic slot machines for class II and class III in North America (from completion of the Share Transaction), on an exclusive basis, subject to a minimum purchase level;
 - Novomatic distributing AGT gaming devices and software kits in Europe exclusively (with Novomatic acquiring AUK from Mr Ainsworth and the variation of the current manufacturing, supply and distribution agreement between AGT and AUK). As part of this, Novomatic commit to acquire through AUK a minimum of 2,000 kits over a two year period up to December 2017; and
 - Greentube (a subsidiary of Novomatic) placing AGT remote games on Greentube platforms under a revenue sharing arrangement.
128. In addition to areas covered by the HoTs, co-operation in the area of research and development facilities and sourcing of componentry are documented in a letter of intent from Novomatic.
129. While the detail of final agreements will require further negotiation and documentation, the HoTs and related arrangements set a framework for collaboration following the Share Transaction. Importantly, the HoTs document the major geographic spheres where each entity will have responsibility (with South America being the only significant area of ongoing competition).
130. The HoTs lock in access by AGT to the Novomatic games library for use and adaption in AGT's current markets other than South America. Access to additional proven game concepts is seen by AGT as crucial to expanding the current offering of games as it seeks to recover market share in the Australian market and to continue to grow in the North American markets.

5.4 The governance framework following the Share Transaction

131. The Share Transaction would result in Novomatic taking over the position of Mr Ainsworth as controlling shareholder of AGT. A key implication of the transition would be that a controlling interest would be held by a company that competes with AGT in certain areas. However, we note that the proposed geographic division of global markets between Novomatic and AGT through the collaboration agreements would see competition primarily restricted to South America.

132. In addition to the ongoing commercial arrangements set out above, Novomatic has advised AGT of its intentions in relation to governance following the Proposed Transaction. From the perspective of Non-Associated Shareholders, key statements of current intent are:
- maintaining its holding at around 53%;
 - maintaining AGT's ASX listing;
 - to not significantly change the financial or dividend policies of AGT;
 - to support the current Board of AGT, with Mr Ainsworth remaining as Executive Chairman until completion or shortly thereafter with Novomatic nominating one additional director. Novomatic may also seek to appoint an additional non-executive director after completion of the Share Transaction (provided that the majority of the Board remain independent).
 - implementing an orderly transition of Board and committee structure in line with ASX principles, including the appointment of an independent Chair and a majority of independent directors on the Board
133. However, Novomatic note that the above intentions are made based on current information concerning AGT and the current business environment at the date of the Explanatory Statement. As such, decisions on the level of Novomatic's interest and dividend policy, will be subject to potential change as the circumstances of AGT change.
134. As controlling shareholder, Novomatic will be subject to applicable laws and ASX Listing Rules in relation the protection of minorities and dealings between AGT and Novomatic. However, Non-Associated Shareholders should be aware that as a competitor of AGT the interests of Novomatic and AGT may not be fully aligned in all circumstances and that Novomatic may make strategic decisions in its own right that may be contrary to the interests of AGT shareholders.

Impact of the Share Transaction on a future takeover bid for AGT

135. If the Share Transaction is approved, Novomatic would become the controlling shareholder of AGT once gaming and other regulatory approvals are obtained. Further, following the Share Transaction, there would be commercial collaboration between AGT and Novomatic in line with the principles set out in the HOTs and integration of the businesses through the sharing of intellectual property. Accordingly following the completion of the Share Transaction, there would be a limited prospect of a takeover bid for AGT by any party other than Novomatic. In this context, we note that Novomatic state the current intention would be to retain its shareholding at a 53% level following the Share Transaction.
136. During the period from approval of the Share Transaction and completion of the Share Transaction, the terms of the share sale and purchase agreement between Mr Ainsworth and Novomatic mean that another party cannot make a successful takeover offer for AGT.
137. Accordingly, approval of the Share Transaction would make a future takeover bid by a party other than Novomatic unlikely.
138. However, we note that, based on the stated position of Mr Ainsworth (disclosed in section 5.5 of this Report), if the Share Transaction is not approved, there is not an immediate prospect of a successful takeover by any other party.

5.5 *Impact of rejection of the Share Transaction by Non-Associated Shareholders*

Position of Mr Ainsworth in relation to possible transactions

139. If the Non-Associated Shareholders vote to reject the Share Transaction, the sale and purchase agreement between Novomatic and Mr Ainsworth would terminate and Mr Ainsworth would continue to hold a 53% interest in AGT. A number of statements have been made by Mr Ainsworth in relation to his shareholding and to clarify his position, we made formal enquiries regarding his intentions in relation to hypothetical transactions that might occur if the Share Transaction is not approved by Non-Associated shareholders.
140. In relation to a possible future 100% acquisition transaction by Novomatic, Mr Ainsworth advised:

“This hypothetical question would depend on the terms of such an offer and the impact of these terms on the continuity of AGT and the staff and the Novomatic strategy for the AGT business. Under the current offer LH Ainsworth and the existing board and management would still retain significant control over the direction of AGT at least in the medium term. Under a full takeover LH Ainsworth would require significantly greater guarantees from Novomatic before he would consider such a transaction.”

141. In relation to a potential acquisition of a 100% interest by another party, Mr Ainsworth advised:

“At this time there is no industry party that LH Ainsworth would consider as suitably aligned to his philosophy and strategy for the future of AGT to be an appropriate buyer of his interest in AGT. If he were to consider such a buyer, there may be a significant problem in relation to gaming licensure and the delay in licensure would probably delay settlement of a transaction so that all shareholders (including minority holders) would have to wait anything up to 18 months before settlement. In reality, LH Ainsworth has expressly stated that there are no circumstances under which he would consider an offer from a financial buyer.”

142. The terms of Mr Ainsworth’s will are confidential. However Mr Ainsworth has advised that if the AGT shares are held at the time of his death:

“his executors are obligated to hold the AGT shares for a period of 4 years.”

Position of non-associated shareholders if the Share Transaction is not approved

143. If the Share Transaction is not approved by the Non-Associated Shareholders, AGT will continue to be controlled by Mr Ainsworth. In this circumstance there are a number of potential outcomes.

AGT continues to operate as an independent listed global gaming machine manufacturer under the control of Mr Ainsworth and ultimately his executors

144. In line, with the statements of Mr Ainsworth, this would be the default assumption.
145. AGT is operating profitably with low levels of debt. While market share has been lost in the Australian market, the company is successfully increasing market presence in the North and South American markets. The current share price appears to be consistent with the current and anticipated future financial performance of AGT as a standalone entity based on analysis of comparable multiples.
146. AGT would continue to be subject to the same uncertainties in relation to the disposition of Mr Ainsworth's controlling interest that have been inherent for a considerable time.
147. As such, there is no clear basis to anticipate a significant medium term reduction in the AGT share price prior to the announced Share Transaction, if the Share Transaction is not approved. AGT would continue to compete as a relatively small company in a market that has become increasingly consolidated in recent years and would potentially be excluded from participating in further consolidation in the sector.
148. AGT would not benefit from the potential financial benefits of the collaboration between AGT and Novomatic. In particular, the access to the Novomatic games library on favourable terms for a period of four years to exploit in the Australian and North American market would be foregone.
149. Offsetting the loss of the potential upside of collaboration with Novomatic, the uncertainties and risks in relation to the structuring of collaboration between the two companies and achieving projected benefits would be avoided.

Novomatic might make a takeover offer for 100% of the shares in AGT

150. The Independent Directors have asked Novomatic what action they would take if the Share Transaction is not approved. Novomatic provided the following response

“Novomatic management has devoted their full energies towards obtaining a favourable vote. Novomatic has not formed any intention on what course of action it will take if the shareholder resolution fails. There are obviously a number of options open to Novomatic to invest in AGT, including a scheme, supporting a buyback or a proportional / full takeover. There are also other options that do not involve launching a takeover or otherwise purchasing shares in AGT. For example, Novomatic sees opportunities to achieve synergies with AGT without acquiring control, including by entering into cooperation and service agreements.

If Novomatic is prevented from acquiring Len Ainsworth's 53% in AGT and decides to launch a takeover of AGT it will only be after careful consideration. There are a number of uncertainties associated with the takeover option, which will make it difficult to structure an offer that is appealing to all shareholders. In particular, any offer or scheme will be subject to long-dated regulatory approvals, which causes difficulties in determining the length of the offer period and when to pay shareholders who have accepted the offer. The long exposure period will also increase the inherent risk faced by any bidder. There is also no requirement that the takeover price will be the same or higher than the price offered to Len Ainsworth under the SPA. These takeover uncertainties are not peculiar to Novomatic”

151. Based on this response, there is no basis for Non-Associated Shareholders to assume any particular course of action by Novomatic. They should not assume that Novomatic would make a 100% takeover offer for AGT if the Share Transaction is not approved and there is no basis to assess the probability of



such an offer being made. Even if another offer was made, the price, structure and terms of such an offer are not known and cannot be anticipated.

152. Similarly there is no basis for Non-Associated Shareholders to assume that cooperation or services agreements would be entered between Novomatic and AGT to realise elements of the collaboration benefits targeted in the HOTs negotiated conditional upon the Share Transaction being approved.

5.6 Further transactions between AGT and the vendor

153. In addition to the sale of the 53% interest in AGT, Mr Ainsworth has sold a 100% interest in AUK held by Associated World Investments Pty Limited (AWI) (a company controlled by Mr Ainsworth) to Novomatic.
154. AUK distributes AGT machines in certain European countries and custom manufacturers machines from AGT supplied kits. In connection with these distribution rights, the company is understood to have licences in certain European countries. No value is recognised on the balance sheet of AUK in relation to the value of or costs incurred in obtaining such licenses.
155. AUK has a history of losses and has been funded through an Australian dollar denominated loan from AWI. We have been provided with a balance sheet for AUK at 28 February 2016 which shows in summary:

	GBP '000
Fixed assets	180
Net working capital	1,064
Loan from AWI	(5,833)
Deficiency of capital and reserves	(4,588)

Source: AUK Management Accounts

156. We are advised that only nominal consideration will be paid by Novomatic to AWI for the shares in AUK, but Novomatic will settle amounts due to AWI. Based on the above loan accounts and other trading items, AWI will be repaid amounts in the order of A\$14.4 million.
157. AWI will receive the full amount of the loan advanced to an entity that discloses a balance sheet deficiency of capital and reserves and which otherwise would not have been able to repay this debt in the short term. However, in considering the asset backing of AUK, we note that at least some commercial value attaches to licenses that AUK holds in European territories and the existing customer base that are not recognised in the balance sheet.
158. We have not evaluated the AUK transaction in detail, but note that potentially the value received by AWI through repayment of the loan is greater than the current value of its interest in AUK (by way of equity and loan account). However we have not considered this issue further as:
- Some portion, at least, of the A\$11 million anticipated to be repaid under the loan account is backed by the balance sheet assets and intangible attributes of AUK; and
 - In the context of the payment for the shares in AGT of A\$473.3 million, the amount of the loan repayment not covered by the balance sheet assets and intangible attributes of AUK is not material.

5.7 Conclusion.

159. Under the Share Transaction, Mr Ainsworth is receiving a control premium that is not available to Non-Associated Shareholders.
160. The Share Transaction subject to a vote by the Non-Associated Shareholders is the currently the only firm potential transaction involving Mr Ainsworth's controlling interest in AGT. Based on his stated position, he will not accept an offer from any party other than Novomatic. He has stated that, subject to certain conditions, he would consider a full takeover offer for AGT from Novomatic, however based on statements made by Novomatic, there is no basis to assume a full takeover offer from Novomatic if the Share Transaction is not approved would be forthcoming (or indeed what the terms of any such offer would be).
161. If the Share Transaction is rejected, based on the stated position of Mr Ainsworth, AGT will remain an independent listed company in which Mr Ainsworth remains the controlling shareholder. On Mr Ainsworth's death, his executors are obligated to continue to hold the AGT shares for four years. As such, it will continue to operate as an independent company for an extended period and there would be no immediate prospect of a transaction to generate a control premium.
162. While AGT is a successful independent company, it is competing in a market sector with a number of significantly larger players. In particular, based on recent performance, its future success will depend on its ongoing ability to continue to develop new games to support recovery of market share in Australia and continued growth in the North American market.
163. The Share Transaction involves collaboration with Novomatic as controlling shareholder. The basis of collaboration is logical to the extent that the only geographic market where there is currently significant competition is South America. Therefore the "allocation" of exclusive distribution for slot products and shared game content for European markets to Novomatic and similar rights to AGT for the Australia, New Zealand and North America appears logical and workable and leverages the existing strengths of the two companies in those geographic markets.
164. Significant financial benefits to AGT are targeted from the collaboration. Based on the targeted incremental profit of \$24.7 million for the 2018 financial year, and multiples of between 4.0x and 5.5x, we estimate an increase in AGT's pre-announcement share price in the order of between 15% and 20%.
165. The principles for proposed collaboration following the Share Transaction have been set out in Heads of Terms executed by AGT and Novomatic. The finalisation of detailed agreements and ongoing terms of commercial arrangements between AGT and Novomatic will be subject to oversight by the Independent Directors.
166. Unless Non-Associated Shareholders anticipate that, if the Share Transaction is not approved, Novomatic would structure a transaction on terms more favourable to the Non-Associated Shareholders, the Share Transaction appears the more favourable option available based on the stated intentions of Mr Ainsworth.
167. Accordingly, we consider the advantages of the Share Transaction outweigh the disadvantages.

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Appendix A Financial Services Guide

PricewaterhouseCoopers Securities Limited

This Financial Services Guide (FSG) is dated 28 April 2016.

About us

PwC Securities (ABN 54 003 311 617, Australian Financial Services Licence No 244572) has been engaged by the Ainsworth Game Technology Ltd to provide a report in the form of an independent expert's report (IER) for inclusion in the Explanatory Statement accompanying the Notice of Meeting.

You have not engaged us directly but have been provided with a copy of the IER as a retail client because of your connection to the matters set out in the IER.

This Financial Services Guide

This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration PwC Securities may receive in connection with the preparation of the IER, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

General financial product advice

The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees of A\$190,000 is charged on a fixed basis.

Directors, authorised representatives or employees of PwC Securities, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with issuers of financial products

PwC Securities and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwC Securities may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.



Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), and external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

Compensation arrangements

PwC Securities has professional indemnity insurance in place that satisfies the compensation arrangement requirements under section 912B of the Corporations Act. This insurance will cover claims in relation to the conduct of representatives and employees who no longer provide services to PwC Securities (but who did at the time of the relevant conduct).

Contact details

PwC Securities can be contacted by sending a letter to the following address:

Mr Kevin Reeves
Authorised Representative
PricewaterhouseCoopers Securities Limited
GPO Box 2650
SYDNEY NSW 1171

Appendix B Sources of information

In preparing this IER, PwC Securities has had access to and relied upon the following major sources of information:

- AGT's Annual Reports (audited) for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015
- Information on Novomatic provided to us by AGT
- AGT's Interim Reports (reviewed) for the half years ended 31 December 2014 and 31 December 2015
- Information on comparable transactions from various company reports, company websites, industry websites and media releases
- Share market data and related information from S&P Capital IQ
- Discussions and correspondence with AGT's management
- Estimates of the financial impact in the 2017 and 2018 financial years of arrangements with Novomatic in line with the Heads of Terms prepared by the Independent Directors
- Meetings with Mr Len Ainsworth on 9 March 2016 and with Novomatic on 9 March 2016
- Five Heads of Terms agreements executed on 12 April 2016 relating to the intentions to enter the following agreements:
 - Distribution Agreement predominantly relating to slot machines products
 - AUK Distribution Agreement
 - Development and License Agreement
 - Game Asset License Agreement
 - Distribution Agreement relating to the multiplayer roulette gaming device
- Other publicly available information including company web sites, government statistical data sets, industry web sites, industry reports, media releases and ASX announcements.

The information on AGT, Novomatic and AUK contained in the Independent Expert Report has been prepared by PwC Securities using publicly available information and limited non-public information made available to PwC Securities by AGT. The assets and liabilities, financial position and performance, profits and losses and prospects of these entities have not been independently verified by PwC Securities. Accordingly PwC Securities does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information

Appendix C Qualifications, disclaimers and consents

Qualifications

PricewaterhouseCoopers Securities Ltd (PwC Securities) is beneficially owned by PwC, a large international firm of Chartered Accountants. The individuals responsible for the preparation of this report are Kevin Reeves and Richard Stewart.

Mr Kevin Reeves is a Partner in the Sydney office Corporate Value Advisory practice and an authorised representative of PwC Securities. He has 15 years of experience in preparing business valuations and Independent Expert Reports within Asia Pacific. He is a member of the Institute of Chartered Accountants in Australia and New Zealand (CAANZ) and the Institute of Chartered Accountants in England and Wales and has a Bachelor of Economics.

Mr Richard Stewart OAM is a Senior Fellow of the Financial Services Institute of Australasia, Chartered Accountants in Australia and New Zealand (CAANZ) and the Society of Certified Practising Accountants in Australia. He is also an adjunct professor in Business Valuation at the University of Technology, Sydney and is Business Valuations Specialist Accredited, CAANZ. He holds a Bachelor of Economics and a Masters of Business Administration. He has 29 years of experience with PwC and extensive experience in preparing valuations and independent expert reports as well as providing merger and acquisition advice. He is also a partner of PwC, and is an authorised representative of PwC Securities.

Declarations

Neither PwC Securities nor PwC has any interest in the outcome of the Share Transaction. PwC Securities is entitled to receive a fixed fee for the preparation of this IER of approximately A\$190,000 and will be reimbursed for out of pocket expenses incurred. The fee payable to PwC Securities is payable regardless of the outcome of the Offer. None of PwC Securities, PwC, Mr Reeves or Mr Stewart holds securities/units in AGT and have not held any such beneficial interest in the previous two years.

Purpose of Report

This IER has been prepared at the request of the Independent Directors of AGT for inclusion in the Explanatory Statement accompanying the Notice of Meeting and should not be used for any other purpose. In particular, it is not intended that this IER should serve any purpose other than supporting Shareholders of AGT in their decision making whether to vote in favour of, or against the approval of the Share Transaction. This IER has been prepared solely for the benefit of the Independent Directors of AGT and for the benefit of the Non Associated Shareholders in AGT. Neither the whole or any part of this IER nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement (other than the Explanatory Statement accompanying the Notice of Meeting mentioned above) without the prior written consent of PwC Securities to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this IER may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of AGT, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:



- general economic conditions;
- the future movements in interest rates and taxes;
- changes in laws, regulations or governmental policies or the interpretation of those laws, the regulations or AGT in particular; and
- other factors referenced in this IER.

Disclaimer and consents

PwC Securities has consented to the inclusion of this IER in the form and context in which it is included as an appendix to the Explanatory Statement accompanying the Notice of Meeting. PwC Securities' sole involvement in the Explanatory Statement accompanying the Notice of Meeting has been the preparation of this IER and PwC Securities' liability is limited to the inclusion of this IER in the Explanatory Statement accompanying the Notice of Meeting. PwC Securities has not been involved in, makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Explanatory Statement accompanying the Notice of Meeting.

In preparing this IER, AGT has indemnified PwC Securities, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by AGT which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, AGT has agreed that if it makes any claim against PwC or PwC Securities for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned and is appropriate having regard to the respective responsibility for the loss, and the amount AGT may recover from PwC Securities will be reduced by the extent of its contribution to that loss.

APES 225 "Valuation Services"

This IER has been prepared in accordance with APES 225 "Valuation Services".

Appendix D Comparable transaction descriptions

Target	Buyer	Target Description
Nova Technologies, LLC	Ainsworth Game Technology Ltd.	Nova Technologies, LLC designs, develops, and manufactures Class III and Class II video slot games. It serves clients in various Native American markets. Nova Technologies, LLC was formerly known as Nova Gaming, LLC.
Cadillac Jack, Inc.	AGS, LLC	Cadillac Jack, Inc. designs, manufactures, and supplies games and systems to the gaming industry. The company's product portfolio includes video reel slots, wide area and multi-level progressives, and Latin style bingo games. It develops content and technologies specific to the needs of the market it serves, including Class II and Class III gaming markets in the United States and the Mexican gaming market.
International Game Technology	GTECH S.p.A.	International Game Technology designs, develops, manufactures, and markets casino-style gaming equipment, system technology, and game content for land-based and online markets worldwide. The company operates in two segments, North America and International. The company offers casino-style games; casino-style slot machines that determine the game play outcome at the machine; wide area progressive jackpot systems with linked machines across various casinos; and central determination system machines connected to a central server, which determine the game outcome, encompassing video lottery terminals used primarily in government-sponsored applications and electronic and video bingo machines.
Multimedia Games Holding Company, Inc.	Global Cash Access Holdings, Inc.	Multimedia Games Holding Company, Inc. designs, manufactures, and supplies gaming machines and systems to casino, lottery, and commercial bingo gaming facility operators in the United States and internationally. The company leases and sells gaming units and systems in a various markets, including slot machines, video lottery terminals, and electronic bingo machines. It also sells gaming units and systems that feature proprietary game content and game themes licensed from others. In addition, the company supplies the central determinant system for the video lottery terminals installed at racetracks in the State of New York.
Bally Technologies, Inc.	Scientific Games Corporation	Bally Technologies, Inc., a gaming company, designs, manufactures, operates, and distributes electronic gaming machines (EGM), network and casino-management systems, table game products, and interactive applications in the United States, Canada, and internationally. The company operates through four segments: EGM, Gaming Operations, Systems, and Table Products.
Video Gaming Technologies, Inc.	Aristocrat Leisure Ltd.	Video Gaming Technologies, Inc. designs, manufactures, distributes, and installs mechanical and video Class II gaming machines for Native American casinos and emerging markets in the United States and Mexico. The company offers products for reel mechanical games, video games, Mexico games, and Bonus Blast games, as well as Live-Call bingo. Video Gaming Technologies, Inc. was formerly known as V.L.T., INC. and changed its name to Video Gaming Technologies, Inc. in February 1992.
Amaya Group Holdings (IOM) Limited	Amaya Gaming Group Inc.	Amaya Group Holdings (IOM) Limited operates an online poker site. It offers online poker games and tournaments, live poker competitions, and poker programming created for television and online audiences; operates live poker events; and holds online poker licenses. The company was founded in 2001 and is based in Onchan, United Kingdom.
Casino One Corporation	Tropicana Entertainment Inc.	Casino One Corporation, doing business as Lumière Place Casino & Hotels, operates a casino and resort. Its amenities include slot machines, table games, and a poker room; restaurants; nightlife attractions that include a lounge, and a bar; and a VIP lounge.
SHFL entertainment, Inc.	Bally Technologies, Inc.	SHFL entertainment, Inc. manufactures and distributes gaming devices, operates inter-casino linked systems, slot machine routes, leases, licenses, and sells its products. The company operates through four segments: Utility, Proprietary Table Games, Electronic Table Systems, and Electronic Gaming Machines. SHFL entertainment, Inc. markets its products to casinos and other legal gaming establishments through its direct sales force, various distributors and/or representatives worldwide.
WMS Industries Inc.	Scientific Games Corporation	WMS Industries Inc., through its subsidiaries, engages in the design, manufacture, and distribution of games, video and mechanical reel-spinning gaming machines, and video lottery terminals (VLTs) for the legalized gaming industry worldwide. The company provides differentiated games, video gaming machines, mechanical reel gaming machines, VLTs, and online gaming products and services, as well as social, casual, and mobile gaming products and services.
Cadillac Jack, Inc.	Amaya Gaming Group Inc.	Cadillac Jack, Inc. designs, manufactures, and supplies games and systems to the gaming industry. The company's product portfolio includes video reel slots, wide area and multi-level progressives, and Latin style bingo games. It develops content and technologies specific to the needs of the market it serves, including Class II and Class III gaming markets in the United States and the Mexican gaming market. The company also provides technical support services. Cadillac Jack, Inc. was founded in 1995 and is based in Duluth, Georgia..

Appendix E Comparable company descriptions

Target	Description
Electronic gaming machine manufacturers	
Ainsworth Game Technology Ltd.	Ainsworth Game Technology Limited designs, develops, produces, leases, sells, and services gaming machines and other related equipment and services. The company designs and manufactures the A600, Ambassador, and Celebrity range of gaming products, as well as various standalone progressives and linked games. It also operates within the online gaming markets, including social gaming and licensed 'Real Money' gambling markets. The company has operations in Australia, the Americas, Asia, New Zealand, and Europe. Ainsworth Game Technology Limited was founded in 1995 and is headquartered in Newington, Australia.
Aristocrat Leisure Ltd.	Aristocrat Leisure Ltd., together with its subsidiaries, engages in the development, assembly, sale, distribution, and service of gaming machines and systems in the Americas, Australia, New Zealand, and internationally. It offers a range of products and services, including electronic gaming machines, interactive video terminal systems, and casino management systems. The company also offers cabinets and gaming products. In addition, it operates in the online social gaming and real money wager markets. Aristocrat Leisure Ltd. is headquartered in North Ryde, Australia.
Scientific Games Corporation	Scientific Games Corporation develops technology-based products and services, and associated content for the gaming, lottery, and interactive gaming industries worldwide. Its Gaming segment supplies and leases gaming machines, video lottery terminals, automatic card shufflers, roulette chip sorters, fixed odds betting terminals, and server-based gaming systems and content, as well as arcade and bingo machines, conversion kits, and spare parts; and licenses proprietary table game content. It also provides video lottery central monitoring and control systems and networks for gaming regulators; and sells casino-management technology solutions and systems. The company's Lottery segment designs, prints, and sells instant lottery games; and provides value-added services, such as game design, sales and marketing and support, specialty games and promotions, inventory management, warehousing, and fulfillment services, as well as instant game category management services.
International Game Technology PLC	International Game Technology PLC operates and provides a range of services and technology products across lotteries, machine gaming, sports betting, and interactive gaming markets in North America, Asia, and Europe. It provides online lottery transaction processing systems; a suite of lottery-enabled point-of-sale terminals; supplies instant ticket games; and provides printing services, instant ticket marketing plans, graphic design, programming, production, packaging, and shipping and delivery services. The company also provides video lottery terminals (VLT), VLT central systems, and VLT games to government customers; video and traditional mechanical reel slot machines and casino systems to casino operators; and amusement with prize machines and games to licensed operators, as well as designs, develops, manufactures, and provides cabinets, games, systems, and software.
Entertainment Gaming Asia Inc.	Entertainment Gaming Asia Inc. owns and leases electronic gaming machines (EGMs) in resorts, hotels, and other venues in in Pan-Asia region. It operates in two segments, Gaming Operations and Gaming Products. The company also develops and operates regional casinos and gaming clubs in the Indo-China region under the Dreamworld brand; and designs, manufactures, and distributes gaming chips and plaques under the Dolphin brand.
Other Gaming	
NYX Gaming Group Limited	NYX Gaming Group Limited designs, develops, manufactures, and distributes digital gaming solutions for interactive, social, and mobile gaming worldwide. The company's software platform supports online interactive game play and enables the deployment of software applications for casino, lottery, bingo, poker, mini-games, and social games over Web-based, tablet/mobile, and social media applications; and content platform has a library of approximately 350 Web and mobile enabled games, including casino, poker, bingo, and lottery games, as well as approximately 550 games from various third-party content suppliers. It serves on-and off-line gaming operators, state-regulated lotteries, media and entertainment firms, and land-based casinos. The company was founded in 1999 and is based in Saint Peter Port, the Channel Islands.
Amaya, Inc.	Amaya Inc. provides technology-based products and services to the global gaming and interactive entertainment industries. The company operates through two segments, Real-Money Online Poker, and Real-Money Online Casino and Sportsbook. It owns and operates gaming and related interactive entertainment businesses under the PokerStars, Full Tilt, BetStars, StarsDraft, European Poker Tour, PokerStars Caribbean Adventure, LatinAmerican Poker Tour, and Asia Pacific Poker Tour brand names. The company was formerly known as Amaya Gaming Group Inc. and changed its name to Amaya, Inc. in December 2014. Amaya, Inc. was founded in 2004 and is headquartered in Montréal, Canada.
Konami Holdings Corporation	Konami Holdings Corporation, together with its subsidiaries, primarily engages in the digital entertainment business. It operates through four segments: Digital Entertainment, Health & Fitness, Gaming & Systems, and Pachislot & Pachinko Machines. The Digital Entertainment segment engages in the production, manufacture, and sale of digital content and related products, including mobile games, computer and video games, arcade games, and card games. The Health & Fitness segment operates health and fitness clubs, as well as produces, manufactures, and sells health and fitness related goods. The Gaming & Systems segment develops, manufactures, sells, and services gaming machines and casino management systems. The Pachislot & Pachinko Machines segment produces, manufactures, and sells pachinko slot and pachinko machines.

Target	Description
Intralot SA	Intralot S.A. supplies integrated gaming and transaction processing systems, game content, sports betting management, and interactive gaming services to state-licensed gaming organizations worldwide. The company supplies hardware and software, including gaming machines, central computer systems, gaming software, communication systems, etc., as well as offers technical support services to lotteries. It is also involved in the design, organization, and/or management of games; advertising and sales promotion activities; establishment of sales network; and provision of risk management for fixed odds games, etc., as well as game operating services. The company was founded in 1992 and is based in Athens, Greece.
Tatts Group Limited	Tatts Group Limited, together with its subsidiaries, provides gambling services in Australia and the United Kingdom. The company's Lotteries division operates lottery licenses in Victoria, New South Wales, Tasmania, Australian Capital Territory, Queensland, South Australia, and Northern Territory. Its Wagering division conducts Totalisator and fixed odds betting on thoroughbred, harness, greyhounds, and other sporting events in Queensland, South Australia, the Northern Territory, and Tasmania. Tatts Group Limited's Maxgaming division offers gaming machine monitoring and value added services in Queensland, New South Wales, and the Northern Territory. The company's Bytecraft Systems division provides warehousing, installation, relocation, repair and maintenance services for gaming machines, lottery and wagering terminals, and other transaction devices in Australia and New Zealand. Its Talarius division is involved in gaming operations in the United Kingdom. The company owns and operates a portfolio of brands, including TattsBet, Tatts, NSW Lotteries, Golden Casket, Bytecraft, Talarius, and Maxgaming. Tatts Group Limited was founded in 1881 and is based in Woolloongabba, Australia.
Tabcorp Holdings Ltd.	Tabcorp Holdings Ltd. provides gambling and entertainment services in Australia. The company operates through three segments: Wagering and Media, Gaming Services, and Keno. The Wagering and Media segment conducts wagering activities under the TAB brand in Victoria and New South Wales (NSW), and the ACTTAB brand in the Australian Capital Territory (ACT) through a network of agencies, hotels, and clubs; provides on course totalizators at thoroughbred, harness, and greyhound metropolitan and country race meetings. The Gaming Services segment supplies electronic gaming machines, as well as provides marketing, compliance, responsible gambling, venue refurbishment, and machine procurement services to licensed gaming venues. The Keno segment operates licensed venues and TABs in Victoria, Queensland, NSW, and the ACT. The company is headquartered in Melbourne, Australia.
Churchill Downs Inc.	Churchill Downs Incorporated provides pari-mutuel horseracing, online account wagering on horseracing, and casino gaming services. It operates through Racing, Casinos, TwinSpires, Big Fish Games, and Other Investments segments. The company operates racing facilities, such as Churchill Downs Racetrack in Louisville, Kentucky; Arlington International Race Course in Arlington Heights with 10 off-track betting (OTB) facilities in Illinois; Fair Grounds Race Course in New Orleans along with 12 OTBs in Louisiana; and Calder Race Course in Miami Gardens, Florida. It also operates five casinos, which provides brick-and-mortar real-money casino gaming services with approximately 8,500 gaming positions; and operates 2 hotels. In addition, the company through TwinSpires.com engages in the advance deposit wagering business that accepts online and mobile pari-mutuel wagers, as well as offers streaming video of live horse races along with race replays and an assortment of racing and handicapping information.
Berjaya Sports Toto Berhad	Berjaya Sports Toto Berhad, an investment holding company, operates Toto betting in Malaysia. The company is also involved in the leasing of online lottery equipment; provision of software support services; manufacture and distribution of computerized lottery and voting systems; and property investment and development activities. In addition, it operates health and fitness centers, and hotels, as well as offers computer consultancy services. Further, the company provides motor retailing, and aftersales services. The company was formerly known as Far East Asset Berhad and changed its name to Berjaya Sports Toto Berhad in May 1993. Berjaya Sports Toto Berhad was incorporated in 1969 and is based in Kuala Lumpur, Malaysia. Berjaya Sports Toto Berhad is a subsidiary of Berjaya Land Berhad.

Appendix F Glossary of terms

Term	Definition
A\$	Australian Dollar
AGM	Annual General Meeting
AGT	Ainsworth Game Technology Limited
ASX	Australian Stock Exchange
AUK	Ainsworth (UK) Limited
AWI	Associated World Investments Pty Limited
Bally	Bally Technologies Inc
B2B	Business to business
B2C	Business to consumer
Bally Transaction	Acquisition of Bally by SciGames
CAGR	Compound Annual Growth Rate
Corporations Act	The Corporations Act 2001 including the Corporations Regulations 2001
DCF	Discounted Cash Flow
Directors	Non Associated Directors
DRP	Dividend Reinvestment Plan
EBIT	Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EGMs	Electronic gaming machines
Enterprise Value or EV	Value of the business (including all values attributable to all security holders)
EUR	Euro
FY15, FY16, FY17, FY18 and FY19	Financial years for the periods ending 30 June 2015, 30 June 2016, 30 June 2017, 30 June 2018 and 30 June 2019 respectively
GME	Gaming Machine Entitlement
GMT	Gaming Machine Threshold
GTECH	GTECH S.p.A
HoTs	Heads of Terms
HY	Half Year
IER	Independent Expert's Report
IGT	International Game Technology
IGT Transaction	The acquisition of IGT by GTECH
Independent Expert	PricewaterhouseCoopers Securities Ltd (in relation to this IER)
Letter of Intent	A letter from Novomatic to AGT setting out Novomatic's longer term commitments for commercial cooperation, including the intentions to cooperate in the area of research and development facilities and sourcing of componentry.
LTM	Last twelve months
Nova Technologies	Nova Technologies, LLC
Novomatic	Novomatic AG
PP&E	Property, plant and equipment
Proposed Transaction	Includes the Share Transaction, HoTs and Letter of Intent

Term	Definition
PwC	PricewaterhouseCoopers
PwC Securities	PricewaterhouseCoopers Securities Ltd
R&D	Research and development
S&P	Standard and Poor's
Sazka	Sazka Group a.s.
SciGames	Scientific Games Corporation
Share Transaction	Proposed sale of Mr Ainsworth's 53% shareholding in Ainsworth Game Technology Limited to Novomatic AG
US\$	United States Dollar
VLT	Video Lottery Terminal
VWAP	Volume weighted average price

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GLOSSARY

Set out below are the defined terms used in this Explanatory Statement (including that a word that is derived from a defined word has a corresponding meaning).

DEFINED TERM	MEANING
\$	means Australian Dollars.
AGT or Company	means Ainsworth Game Technology Limited ACN 068 516 665.
AGT Information	means the information contained in this Explanatory Statement other than Novomatic Information and the Mr Ainsworth Information.
ANZ	means the Australia and New Zealand Banking Group Limited.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term by sections 11 to 17 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 and the financial market that it operates, as the context requires.
ASX Principles	means the 3rd Edition of the ASX Corporate Governance Principles and Recommendations.
AUK	means Ainsworth (UK) Limited, a wholly owned subsidiary of AWI.
AWI	means Associated World Investments Pty Limited ACN 075 429 480.
AWP	means amusement with prize slot machines.
Board	means the Company's board of directors.
CEO	means the Chief Executive Officer, Danny Gladstone.
Change of Control Rights	means rights to terminate a contract or otherwise take any action adverse to the Company or its Related Bodies Corporate under the relevant contract upon a change of control of the Company, which includes the Share Transaction as contemplated under the Sale Agreement.
Conditions	means the conditions precedent to completion of the Share Transaction as set out in the Sale Agreement.
Controlled Entities	means AWI; Baclupas Pty Ltd ACN 002 818 340 and Kjerulf David Pty Ltd ACN 000 843 836.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
CSR	means Corporate Social Responsibility.
Director	means each member of the Board.
Explanatory Statement	means this explanatory statement, prepared by the Company and sent to Shareholders in respect of the Resolution.
FIRB	means the Foreign Investment Review Board.
FY	means a financial year of Ainsworth (being 1 July to 30 June ending in the relevant nominated year).

DEFINED TERM	MEANING
Governmental Agency	means any government or representative of a government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister (including, for the avoidance of doubt, the Commonwealth Treasurer), ASIC, the Australian Taxation Office, ASX, FIRB and any regulatory organisation established under statute or any stock exchange.
Independent Director	means each Director other than Mr Ainsworth and the CEO.
Independent Expert	means PricewaterhouseCoopers Securities Ltd ACN 003 311 617.
Independent Expert's Report	means the report prepared by the Independent Expert dated 28 April 2016 set out in section 12.
Item 7	means item 7 of section 611 of the Corporations Act.
Meeting	means the general meeting the subject of the Notice of Meeting.
Mr Ainsworth	means Mr Leonard Hastings Ainsworth.
Mr Ainsworth Information	means all information regarding Mr Ainsworth and provided by or on behalf of Mr Ainsworth for inclusion in this Explanatory Statement (and any information solely derived from, or prepared solely in reliance on, such information), and any updates to that information prepared by or on behalf of Mr Ainsworth.
Notice of Meeting	means the notice of meeting accompanying this Explanatory Statement.
Novomatic	means Novomatic AG.
Novomatic Information	means all information regarding Novomatic and provided by or on behalf of Novomatic for inclusion in this Explanatory Statement (and any information solely derived from, or prepared solely in reliance on, such information), and any updates to that information prepared by or on behalf of Novomatic and includes all information contained in sections 4 and 5 of this Explanatory Statement.
Regulatory Approval	means any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority or exemption from, by or with a Governmental Agency.
Related Body Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Relevant Interest	has the meaning given by sections 608 and 609 of the Corporations Act.
Resolution	means the resolution in the Notice of Meeting accompanying this Explanatory Statement.
Sale Agreement	means the share sale agreement dated 23 February 2016 entered into between Novomatic, Mr Ainsworth and AWI (as amended on 30 March 2016)
Sale Shares	means the 172,100,823 Shares held by Mr Ainsworth and his Controlled Entities that are the subject of the Share Transaction.
Seller	means each of Mr Ainsworth and AWI as the selling parties of the Sale Shares to Novomatic under the Sale Agreement.
Share	means a fully paid ordinary share in the Company.
Share Registry	means Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW, 2000, Australia.
Share Transaction	means the sale of the Sale Shares to Novomatic for cash consideration of \$2.75 per Share pursuant to the Sale Agreement.
Shareholder	means a holder of Shares.
Voting Power	has the meaning given to that term in section 610 of the Corporations Act.
VLT	means video lottery terminals.

CORPORATE DIRECTORY

Executive Chairman

Mr LH Ainsworth

Independent Non-Executive Directors

Mr GJ Campbell

Mr MB Yates

Mr CJ Henson

Ms HA Scheibenstock

Chief Executive Officer

and Executive Director

Mr DE Gladstone

Company Secretary

and Chief Financial Officer

Mr ML Ludski

Securities Exchange Listing

The Company is listed on the Australian Securities Exchange.

The Home Exchange is Sydney.

CODE: AGI

Websites

www.agtslots.com.au (Australasia)

www.agtslots.com (The Americas)

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street,
Sydney NSW Australia 2001

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+61 3 9415 4000 (outside Aust)

Fax: +61 3 9473 2500

Auditor

KPMG

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Sydney NSW Australia 2000

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Other Information

Ainsworth Game Technology Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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NOVOMATIC
GROUP OF COMPANIES



AINSWORTH
EXPERIENCE COUNTS

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

 Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

 For Intermediary Online subscribers only
 (custodians) www.intermediaryonline.com
For all enquiries call:
 (within Australia) 1300 850 505
 (outside Australia) +61 3 9415 4000

 AGI
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030


Proxy Form

XX

Vote and view the notice of meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.


Your access information that you will need to vote:
Control Number: 999999
SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.


For your vote to be effective it must be received by 9:30am (AEST) on Wednesday, 1 June 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Ainsworth Game Technology Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Ainsworth Game Technology Limited to be held at Bankstown Sport Club, "Georges River Room", 8 Greenfield Parade (Cnr Greenfield Parade and Mona Street), Bankstown, NSW 2200 on Friday, 3 June 2016 at 9:30am (AEST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

1 Approval for acquisition of shares by Novomatic AG (Novomatic)

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /

AGI

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Computershare +