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**AINSWORTH GAME TECHNOLOGY LIMITED
2019 ANNUAL GENERAL MEETING ADDRESSES**

INDEPENDENT NON-EXECUTIVE CHAIRMAN

(Presented by Mr Graeme Campbell)

Ladies and Gentlemen,

I would like to present the annual review of the 2019 financial year.

In 2019 we started to lay the foundations for long term growth and improved performance.

We are pleased to welcome Lawrence Levy to his first AGM as our new CEO. Lawrence is a highly respected executive who has held senior positions in the gaming industry over a successful career spanning 37 years. He joined us in July and has already commenced a process to refocus AGT so we can compete more effectively. Lawrence will present his address following my opening comments.

AGT's strategy is to leverage our excellent industry reputation, international footprint, scale and R&D to drive long term growth and improved returns. We expect these initiatives to enhance product performance and improve our financial results over the medium term.

Our FY19 results were relatively weak. AGT achieved revenue of \$234 million and a Profit after Tax of \$11 million. On an adjusted pre currency basis, Profit before Tax was \$13 million.

Consistent with our strategy to expand AGT's footprint offshore, international sales now account for 85% of the group total. In our largest market, North America, we delivered another solid result with revenues of \$114 million, an increase of 8% and profits at \$47 million, a rise of 16%. Revenue growth was driven by increased sales of the high performing Quick Spin product family on the A640 Cabinet. An improved product mix and overhead containment drove operating leverage and profit growth in this region.

AGT's performance in domestic markets was disappointing, and continues to be adversely impacted by product performance and competitive pressures. Revenue was \$36 million, a decrease of 43% and profits were \$3 million. Further changes recently initiated in product development are expected to create sales opportunities over time.



We continue to benefit from our strong market position in the challenging Latin America markets. Revenue was \$73 million, down by 8%, and profit decreased by 22% to \$24 million. This region was impacted by a deterioration in gaming operations yields due to local currency devaluations and a greater proportion of refurbished machine sales in the period. These challenging conditions and mix shifts are expected to continue to affect performance.

Improving the quality of earnings is another key priority for AGT. The participation fleet, which generates high quality, recurring revenues, continues to build with a 16% rise in units to 6,806 compared to 30 June 2018. Units in Latin America increased by 41% with a 15% decline in North America as customers purchased top performing product from the fleet.

AGT's capital position has strengthened. Cash flow from operating activities increased strongly to \$61 million, up from \$19 million in the prior year. With an improved working capital position assisting cash flow, we have retired \$20 million of debt in the year, and a further \$27m since the close of the last financial year. AGT finished the end of FY19 with net cash of \$6 million on the balance sheet, compared to net debt of \$36 million in FY18. This capital strength allows us to invest in technology and self-fund growth strategies. Lawrence will talk more about this later.

As AGT is evaluating R&D investments and value adding, complementary inorganic opportunities, the Board has prudently determined to suspend the Company's dividend policy. This includes the FY19 final and 1H FY20 interim dividends.

Moving forward, in FY20, we expect the intense competition we face across our markets to continue. However, we have a professional and motivated workforce, an excellent industry reputation and a well-established footprint. Our CEO has commenced an in-depth review of the business and investments to refocus and reinvigorate our long-term performance.

As part of this review, we have refreshed our Board structure. We are pleased that Danny Gladstone, our previous CEO, has agreed to remain with the Company allowing us to utilise his experience and commercial relationships. Danny has made a great contribution to AGT over the last 12 1/2 years and we all look forward to his ongoing involvement and support for Lawrence to deliver improved performance.

As announced in September, following the conclusion of this meeting Danny will be appointed as Chairman and I will assume the role of Lead Independent Director. The role recognises the importance the Board places on governance and independence in ensuring the Board operates effectively. I will be advising the independent directors on matters where there may be an actual or perceived conflict of interest.

As this will be my last AGM as your Chair, I would like to say that it has been a privilege to represent all the AGT shareholders over the last 3 years and I look forward to continuing to represent your interests.

I would also like to thank Heather Scheibenstock for her much-valued appreciated contribution to the Ainsworth board over nearly 4 years. Heather notified the Company of her intention not to stand for re-election and will formally retire at the conclusion of the meeting today. We thank her and wish her well for the future.

Finally, I would like to thank the other board members for their wise counsel, the executive team for their dedication, Novomatic for their partnership, our loyal employees, my fellow shareholders and of course, our valued customers.

I will now hand over to Lawrence to give the CEO address.



CHIEF EXECUTIVE OFFICER

(Presented by Mr Lawrence Levy)

Thank you, Graeme.

I appreciate the opportunity to address my first Ainsworth AGM as your new CEO.

AGT is well regarded and recognised across all global markets. We have a strong footprint in major markets, with scale and recurring revenues. With an increased focus on investing in game technology and new product development, I am confident we can deliver solid results over time.

FY19 Results

The FY19 results were not as strong as we would have liked to report. While we compete in challenging markets against strong competition, these results do not reflect Ainsworth's earnings potential. We have the capacity and the capability to deliver better results in the future.

On a pre-currency basis, Profit before Tax (PBT) was \$9m, a significant reduction from the \$39 million reported in FY18. Sales revenue for the year was \$234 million, a decrease of 12%. International revenues were broadly similar at \$198 million while domestic revenues were disappointing at \$36 million. Gross profit was down by 11% to \$140 million with gross margins up slightly at 60%. Group EBITDA was \$45 million, a decline of 34% on the prior corresponding period.

North America delivered an excellent result, increasing revenue by 8% to \$114 million. Profitability was up by 16% to \$47 million as we enjoyed some operating leverage and margin expansion. Unit sales were similar at 2,952 compared to 3,021 last year. FY18 included the sale of 900 historical horse racing machines, inflating the base. Excluding this substantial order, underlying sales increased by 39% in the year.

The number of machines under gaming operations in North America fell by 15% to 2,190. The decline in the gaming operations installed base is a result of customers preferring to purchase top performing titles from the fleet and reduce non-performing titles for optimal floor mix. If a game is outperforming, we are happy to sell the machine. We then work to increase the size of the fleet overall with new titles.

Yield per day increased slightly to US\$26. Despite the market being very competitive, this yield has been climbing steadily, mainly due to our game performance.

In Latin America, political elections and the introduction of new gaming taxes adversely affected local economies and industry spend. These factors impacted our results. Revenues were down by 8% and profitability was 22% lower than last year.

In our Rest of the World segment, revenues fell by 35% to \$12 million. We had a reduced contribution from Novomatic compared to the previous year. Kit and other parts sales to Novomatic generated \$2.5 million of this revenue. Online contributed \$4 million, a similar level to last year. Revenues declined in Asia and in New Zealand. Unit volumes were down by 64% to 438 with a weak second half.

Turning to Australia, AGT's performance continues to be adversely impacted by product performance and competitive pressures. Domestic sales were poor for the year at \$36 million, a decrease of 43% and profits were \$3 million. We had minimal sales to corporates and casinos and our performance was disappointing across all states.



We are undergoing a significant product transition to re-energise our performance in the domestic markets. We expect these products to re-energise our Australian performance over time and make a larger contribution to FY21.

Given the reduction in unit volumes in Australia, we have impaired our NSW Service goodwill by \$2.4 million. We have also written off the final remaining value in the 616 digital assets with a \$1.9m charge.

Total operating costs increased by 11% although the true underlying rate for the year was much lower at 7%.

Sales service and marketing expenses increased by \$5 million. Contributing to this was an adverse forex translation of \$4 million. The balance of the increase was mostly depreciation given the growth in the gaming operations fleet.

R&D expenses increased by \$6 million. Although this was strategic, again currency had an adverse effect of \$1 million. We increased our third-party contractors and technical compliance costs; decreased the value of the development costs we capitalised; and prudently increased amortisation costs from previously capitalised projects.

Overall, operating costs at constant currency basis were \$125 million compared to \$117 million in FY18, resulting in a modest increase of 7%.

Finally, on the financial results, our balance sheet turned from a net debt position last year to a net cash position at the end of FY19.

We had good working capital controls through the year and collected more receivables, including the CDI payment for the 900 HHR machines in September. Cash increased following investment in technology, and sales and marketing resources. We repaid over \$20 million of debt and finished with loans and borrowing at \$56 million. Our debt was clearly exceeded by our closing cash reserves of \$62 million leaving a net cash position of \$6 million.

As well as the cash, we have a debt facility to fund any inorganic additions. The facility has been extended to September 2021. This capital strength is a highlight of the results for me as it creates growth opportunities and flexibility.

Key Priorities

Let me now look forward and lay out the strategy for improved long-term results.

I am confident AGT can drive improved long-term growth by leveraging its excellent reputation, focusing on R&D and complementing organic performance with selective acquisitions that make good financial sense.

In FY20 our priorities are:

1. To Streamline AGT to create a more agile, competitive and efficient company.

In October, Kieran Power, CTO, and Joseph Bertolone, President – North America resigned from AGT. I would like to thank both of them for their contributions to the Company. Following their departures, we have flattened our management structure to accelerate creativity, information flow and decision making.

2. To complete the re-evaluation of our R&D investments to develop successful, new innovative products.

Game performance is key to our long-term success. The development process for new content takes an extended period of time and significant resources. To enhance our in-house capabilities, we will look to leverage external experts and third-party game designers. We are also empowering a new internal creative team to focus on new game concepts based on a deep understanding of customer requirements. We look forward to our new games making a meaningful contribution to our financial results in FY21.

3. To access Novomatic's significant expertise to identify and deliver additional synergy benefits from this strategic partnership.

While AGT is well represented in many markets, our sales coverage is not complete. We have identified opportunities for sales in markets where AGT does not currently operate. Novomatic has a strong presence in many of these markets and we can leverage their significant distribution capability to build additional revenues.

4. To continue to grow unit sales in the key Class II and Class III North American markets. Our proprietary Historical Horse Racing product continues to perform well creating ongoing recurring revenues and we see good opportunities to leverage our expertise in this area and expand our footprint.
5. To pursue selective acquisitions that are complimentary, on strategy and make good financial sense. To achieve this we must maintain strong capital disciplines and cost controls to enhance our financial strength, provide flexibility for acquisitions and self-fund our organic growth strategies.
6. To expand our online interactive capabilities with a focus on providing online social and real money solutions for land-based casinos in North and South America. We can provide interactive product innovation for use across their player databases. We are making some progress in developing these new partnerships.

Outlook

We are committed to strengthening AGT to deliver improved long-term results. As we invest in product development and transition to new game concepts, our results for FY20 are expected to be subdued. Although market conditions are clearly challenging in the domestic market, our North American business is strong. Based on unaudited results, we expect to report a loss before tax, excluding currency impacts, in H1FY20 of approximately \$4 million. H2FY20 is expected to show improved revenue and profit compared to the first half resulting in a positive PBT, excluding currency impacts, for the full year.

I wish to express my appreciation to Mr Graeme Campbell, our outgoing Chairman, for his commitment to the Company and for making me feel so welcome since joining Ainsworth. I congratulate him on his important new appointment as Lead Independent Director. I would also like to congratulate Danny Gladstone on his upcoming appointment as Chair following the meeting. I look forward to working closely with Danny in the future to execute on our strategic priorities. I would also like to thank the other Directors for their input. I wish Heather well for the future.



Finally, I would like to thank the management team, all my talented colleagues around the world, our supportive shareholders and, importantly, our customers for whom we strive to deliver the best in gaming experiences.

We will provide a further update on the status of strategies being implemented at the time of our half-year results in February 2020.

Ends

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