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ASX Release**ASX Code: AGI****AINSWORTH GAME TECHNOLOGY LIMITED**
2018 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 2018 financial year.

In 2018 we continued to increase our investment and focus on R&D to facilitate greater product diversification and efficiencies in improving both our offerings and the timing of new product launches. These investments should enhance our competitiveness and long term returns in the highly competitive gaming markets in which we operate.

For FY18 AGT achieved revenue of \$266 million and a Profit after Tax of \$32 million. On an adjusted pre currency basis, Profit before Tax was \$39.5 million. Around 71% of the result was achieved in the second half of the year with \$28 million PBT. This is a pleasing increase on the \$11 million we reported in the first half, excluding the \$5 million of gains from non-recurring one-off items.

In a challenging period, our FY18 result was a direct outcome of the strategies that we have previously implemented. These strategies assisted in offsetting domestic market declines, and should enable us over time to expand our development initiatives to improve our long term position in the core Australian markets of New South Wales and Queensland. We expect these initiatives to provide enhancements in product performance, allowing us to improve our financial results and compete more effectively.

International sales now account for 76% of the group total, climbing to 82% in the second half of the year.

As I have said previously, the Americas is our primary focus based on the size of the market and scope for long term growth. Revenue in the region grew by 3% for the year. Segment profits were affected by a weaker sales mix as we transitioned older cabinets out of participation into sales.

A highlight for North America was the sale of 900 Historical Horse Racing machines to the newly opened Derby City Gaming facility operated by Churchill Downs Incorporated (CDI) in Kentucky. This sale was a direct result of the investment undertaken over several years leveraging off technology acquired from Nova Technologies. AGT's proprietary Historical Horse Racing system is expected to

provide further opportunities in new markets over the coming years, as well as scope for further collaboration with CDI in future periods.

Also in line with our strategy, the total number of machines on lease and participation grew by 10%. These machines provide high quality recurring revenues. In Latin America, I am pleased to report the fleet increased by 23%.

The Rest of the World segment reflects further synergy benefits from our strategic partnership with Novomatic. AGT continues to evaluate other relationship opportunities through developing joint product and sales.

We recognise that research and development is the primary driver to compete successfully in our challenging markets and encourage growth. With the products planned and in development through internal and external game developers, we are looking to progressively deliver returns on our investments.

Our strategy in regulated real money gaming markets focuses on expanding content offerings in the Americas, especially New Jersey and Mexico, where more than forty new land based titles have recently been launched. Reflecting the increased level of competition from market leaders, however, we have reduced the carrying value of AGT's 40% equity share in 616 Digital by \$2.5 million.

Strong cash flow was a pleasing feature of the FY18 results. Cash from operating activities increased to \$18 million, up from \$5 million in the prior year. This cash flow allows us to fund our technology growth initiatives, retire debt and provide returns to shareholders through dividends.

Given the company's financial base, the Board resolved to reinstate the dividend policy of returning profits to shareholders. The Directors declared 2.5 cents per share final dividend fully franked with NIL Conduit Foreign Income (CFI). This makes a total dividend of 4 cents per share for the year which represents a payout ratio of 42% of net profit.

Looking into FY19, we recognise the intense competition we face across our markets. However, we remain focused on the execution of our strategies to drive long term shareholder value. We continue to invest and create new product offerings to compete in traditional Class II and Class III gaming markets, while pursuing new opportunities including the recently released Historical Horse Racing products.

The highly competitive domestic markets remain challenging. We will continue to invest our cash flow in product improvements and innovation to improve our competitiveness and efficiency.

I am confident that the planned initiatives should progressively improve our position and financial results over time. We will continue to execute on our long term strategies to strengthen our market positions domestically, continue to grow our international footprint and improve the quality of our earnings.

I would like to thank Len Ainsworth and my fellow board members for their contributions and support, the rest of the highly capable executive team, along with our dedicated and loyal employees, my fellow shareholders and valued customers.

Finally, I would like to acknowledge our CEO Mr Danny Gladstone for his contribution over the 12 years in this role under challenging market conditions. As we released to ASX in September, Danny has notified the Company of his intention to step down as CEO following the end of the 2019 financial year. A search process is currently underway to find a suitable replacement and Danny has kindly agreed to remain in the role to ensure a smooth and orderly transition.

Thank you and I will now hand over to Danny to give the CEO's address.

CHIEF EXECUTIVE OFFICER

(Presented by Mr DE Gladstone)

Thank you Graeme

We delivered FY18 results slightly ahead of our upgraded guidance due to a strong second half performance. These results directly reflect our investment in new technologies and our efforts in building and leveraging key partnerships, in what continue to be very competitive markets.

In FY19 we will continue to execute on our strategies to grow our international footprint, broaden the product library and drive higher quality recurring earnings.

Let me start with the results for FY18.

On a pre-currency basis, Profit before Tax (PBT) was \$39 million, exceeding the original \$36.0 million guidance and slightly ahead of the updated guidance we provided to the ASX in July 2018.

We delivered an improved second half performance, with \$23 million PBT, an increase of 68% on the \$14 million reported in the first half. This excludes the \$2.5 million gain on the sale of land in Nevada. These results include \$5 million of one off costs in the second half.

Sales revenue for FY18 was \$266 million, a decrease of 6% on the prior corresponding period. Sales were higher in the second half of the year at \$146 million compared to \$120 million in the first half. Consistent with the Group's strategy to increase sales in key offshore markets, international revenues increased to 76% of the total.

The number of units sold in FY18 was 9,714, a decrease of 9%. North America decreased by 3%, Latin America increased by 4% and Australia where market conditions continue to be highly competitive, declined by 17%.

Units under gaming operations for the period were 5,852, an increase of 10% from the pcp.

Gross margins at 59.0% were broadly consistent with 60.3% in FY17. EBITDA margins increased to 26% in the year, up 70 basis points from FY17, demonstrating our disciplined cost controls.

Operating costs were carefully managed and maintained with research and development expenses at \$34 million and sales and marketing expenses at \$60 million, an increase of 14%, mainly in the Americas. Headcount in Australia and the Rest of the World segment fell slightly to 337. Headcount in the Americas increased by nineteen employees to 260. This reflects the long term growth opportunity in this market.

We manage our capital as carefully as the rest of the business in order to enhance returns for shareholders. Cash flow from operations increased to \$18 million (\$5 million in FY17) and total cash held increased to \$36 million, a rise of \$15 million.

Receivables totalled \$193 million, an increase due to the rise in sales revenue in the fourth quarter. We collected the cash payment for the 900 CDI machines in September 2018, improving our cash position.

Net debt at the end of the year reduced to \$36 million from \$45 million. We expect this to fall further as more debt is eliminated in FY19. We have a \$90 million multi option debt facility to fund any non-

organic additions, and to provide us with more flexibility for growth. The facility has been extended to September 2021.

The Board continues to maintain a conservative approach to balance sheet leverage with debt to EBITDA at 1.05 times at the end of the year, down from 1.08 times at the end of the first half. Gearing is low at 16%.

Turning now to Business Review for 2018

Let's start with our largest market. AGT continues to grow its presence in North America with revenues increasing by 4% to \$106 million. Profitability was down by 9% to \$41 million. Unit sales were lower at 3,021 compared to 3,105 last year. The number of machines on participation fell slightly, down 3% to 2,583. These factors impacted the results. However, yield per day increased to \$25, from \$22 due to the premium earned for our PacMan™ licensed product.

We were pleased to deliver a large order of 900 units with our specifically designed proprietary Historical Horse Racing system to CDI in Kentucky in 2HFY18. This is an important strategic relationship for AGT with scope for further collaboration in the future.

The new EVO™ cabinet was launched at G2E with fifteen new game titles. We continue to invest and create new product offerings to enhance our competitive position in traditional Class III and II gaming markets.

Joseph Bertolone commenced as President of AGT North America on 1st June 2018, based in Las Vegas. AGT will benefit from his proven leadership and deep industry expertise.

Latin America reported a consistent performance with revenues of \$79 million, compared to FY17. Units under gaming operations increased strongly, up 23% to 3,269 and unit sales increased by 4% to 3,322. Profitability however, declined by 19% to \$30.6 million.

Given challenging economic conditions in the Latin America region, AGT satisfied market demand for cheaper priced products by selling a higher mix of second hand machines and machines previously on participation in the period. These second hand machines have a lower average selling price and margin. These sales reduced inventory and are expected to create replacement demand for new higher priced product elsewhere.

Domestic revenue was \$64 million, a decrease of 14% on the pcp. Sales to corporates and casinos were well below the levels of previous years. Profit was \$19 million. As you will have heard me say, market conditions are extremely competitive here and continue to be challenging in the new financial year. Encouragingly, we have scheduled new product launches for 2HFY19 which broaden our customer offering.

Rest of the World segment revenues were down by 37% to \$18 million with lower results in Asia, Europe and New Zealand. Profit was down by 31% to \$10 million. Unit volumes fell to 1,215 compared to 1,807 last year.

Novomatic contributed revenue of \$7 million and profit of \$4 million. 1,000 kits were delivered in the year. We will continue to deliver returns for all shareholders from this strategic partnership.

The digital and on line markets have long term appeal. We can leverage our game library and product development plans. However, these markets are also competitive and accordingly, we have reduced the carrying value of our equity investment in 616 Digital to a more prudent level.

I'll now move to the Outlook

AGT has a clear strategic plan that we will continue to execute. We do not shy away from how competitive our markets are and the impact this is having on our domestic business's results in the first half of FY19.

By focusing on international sales, investing in new technologies, increasing recurring revenues from participation and leveraging our partnerships, we are strengthening AGT for the competitive challenge and long term performance. It is the execution of these strategies that will deliver results over the long term.

We will leverage off Nova Technologies' system and game design expertise to further release Historical Horse Racing products and our partnership with CDI has scope for further growth.

The opportunities with Novomatic will continue to be reviewed. We have completed the development and integration of twenty AGT slot titles for their Greentube Pro social casino platform, which will be used in North American land based casinos. We are investigating other licensing opportunities with land based casino machine sales, taking a bundled approach.

Although we face intense competition, AGT will invest in new product offerings to enhance our competitive position in Class III and Class II markets, while also pursuing new markets.

This broader product range and extended Class II game titles underpins our long term plans. We have new leadership in America, and we have the hardware, the sales network, the brand and the game titles to sustain our performance.

With new product launches now planned for the second half of the year in the core Australian markets, we expect to be more competitive. The key to our future is game performance.

Although market conditions are clearly challenging here, our international businesses continue to prosper. We expect an improved revenue and profit result for the Group overall in 2HFY19 compared to 1HFY19 expected result.

We will provide a further update to the market at the time of our half year results in February.

I wish to express my appreciation to Mr Graeme Campbell as the Chairman, for his commitment to the Company. I would also like to thank the Board of Directors, Mark Ludski for his much-valued contribution, the executive teams from North America, Latin America and Australia for their impressive work through the year, our talented employees, our supportive shareholders and importantly our customers for whom we strive to deliver the best in gaming experiences.

Also in closing, I would like to acknowledge our past Chair and Company founder Mr Len Ainsworth for his valued contributions and continuing guidance.

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