

AGEM Index

Association of Gaming Equipment Manufacturers

January 2011

During the first month of the year, the AGEM Index pulled back 1.0 percent, dropping 1.05 points from the previous month to 104.45. A modest downturn within the index of 17 publicly traded global gaming suppliers suggests investors continue to exercise caution going into fourth quarter earnings season. Negative returns were sourced to a handful of U.S. manufacturers while the top gains were reported from companies based outside the U.S. From the 102.88 index value reported a year ago, the index remains up 1.5 percent. During the month, the AGEM Index underperformed compared to the broader equities markets. Declining less over the same period, the Standard and Poor's 500 Index and the NASDAQ Composite fell 0.27 percent and 0.06 percent, respectively. The Dow Jones Industrial Average recorded a slim increase of 0.02 percent. Selected positive contributors to the index during the month included:

- Lottomatica (LTO) contributed 2.49 points to the index based on a 14.46-percent gain in its stock price.
- Intralot (INLOT) reported a stock price gain of 0.8 percent, contributing 0.11 points to the index.

Selected negative contributors to the index included:

- WMS Industries (WMS), which posted a 7.27-percent decline in its stock price, reducing the composite index by 1.02 points.
- Konami (KNM) witnessed its stock price fall 5.92 percent, contributing -0.92 points to the index.

Looking ahead, manufacturers are continuing to seek to improve their operational efficiencies and strengthen their balance sheets while still devoting resources to research and development. For example, in the last year, International Game Technology (IGT) ceased its operations in Japan and WMS poured capital into several new products. Nevertheless, Shuffle Master (SHFL) indicated in their latest annual report that the gaming market "both domestically and internationally remains highly uncertain." Further cutbacks may occur in the near term as financial markets remain tight and consumer confidence hangs relatively low. Additionally, there will likely be a rampup period where operators first return stronger earnings and future indicators look favorable before once again heavily investing in expanding or replacing existing gaming equipment.

	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change		Index Contribution
		Jan-11	Dec-10	Jan-10	Prior Period	Prior Year	
Ainsworth Game Technology	ASX: AGI (AU\$)	0.28	0.22	0.18	25.00	57.14	0.10
Aristocrat Technologies	ASX: ALL (AU\$)	2.97	2.99	3.97	(0.67)	(25.19)	(0.26)
Astro Corp.	Taiwan: 3064 (NT\$)	57.30	63.50	67.00	(9.76)	(14.48)	(0.07)
Bally Technologies	NYSE: BYI (US\$)	40.93	42.19	39.67	(2.99)	3.18	(0.38)
Elixir Gaming Technologies	AMEX: EGT (US\$)	0.36	0.36	0.26	-	38.46	-
GameTech International	Nasdaq: GMTC (US\$)	0.46	0.34	1.60	35.29	(71.25)	0.01
Gaming Partners International	Nasdaq: GPIC (US\$)	6.88	6.18	5.66	11.33	21.55	0.04
Global Cash Access	NYSE: GCA (US\$)	3.05	3.19	8.10	(4.39)	(62.35)	(0.05)
IGT	NYSE: IGT (US\$)	17.17	17.69	18.34	(2.94)	(6.38)	(0.85)
INTRALOT S.A.	ATHEX: INLOT (€)	2.51	2.49	3.20	0.80	(21.56)	0.11
Konami	NYSE: KNM (US\$)	20.03	21.29	16.98	(5.92)	17.96	(0.92)
Lottomatica (GTECH)	MILAN: LTO.MI (€)	10.61	9.27	14.35	14.46	(26.06)	2.49
Multimedia Games	Nasdaq: MGAM (US\$)	5.33	5.58	4.93	(4.48)	8.11	(0.04)
Shuffle Master	Nasdaq: SHFL (US\$)	10.53	11.45	8.89	(8.03)	18.45	(0.27)
Transact Technologies	Nasdaq: TACT (US\$)	9.64	9.37	7.25	2.88	32.97	0.02
Wells-Gardner Electronics	AMEX: WGA (US\$)	2.75	2.22	2.49	23.87	10.44	0.04
WMS Industries	NYSE: WMS (US\$)	41.95	45.24	37.08	(7.27)	13.13	(1.02)
Change in Index Value							(1.05)
AGEM Index Value: December 2010							105.51
AGEM Index Value: January 2011							104.45

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With lowered operating costs as a result of the latest downturn, global gaming manufacturers have begun reporting positive earnings despite lower revenues. It is expected that revenues and earnings will likely rise at a marginal pace as improvements in the broader market take hold.

In International Game Technology's (IGT), latest quarterly report ending December 31st, revenue and operating income declined 9.8 percent and 15.5 percent compared to the same period in the prior year, respectively. With one of the largest funding levels in research and development, it continues to support product development at significant levels, contributing \$51.7 million towards this effort, an increase of 13.9 percent over the same period in 2009.

In its latest annual report, Shuffle Master (SHFL) was able to increase revenue 12.2 percent while operating costs increased at a lower 4.8 percent. While profits have returned somewhat despite a slumping sector, like IGT, many manufacturers continued their investments in research and development.

For WMS Industries (WMS), the cost of research and development rose 8.3 percent in the three-month period ending September 30, 2010, compared to the same period in 2009. Similar directional results were reported by Bally Technologies (BYI) over the same period, where

investment in research and development has risen 9.8 percent, or \$1.9 million.

While margins remain slim for operators, they can only retain existing gaming equipment for so long before it becomes antiquated in a technologically advancing environment. Continued stability in research and development has already begun to reap returns for Shuffle Master (SHFL), which increased its investment in the area 25.7 percent or \$4.5 million in fiscal year 2010.

At a strong clip, Shuffle Master (SHFL) has been encouraging customers to replace their older Ace shufflers with the next generation i-Deal shuffler. Additional products from the new i-Table platform, which combine electronic interfaces with traditional live table games, have begun generating revenue. The addition of live table games in new markets and many replacement lifecycles passed, we can expect the implementation of recently developed technology to play an important role within the global gaming manufacturing community.

While gaming manufacturers have begun to show improvement over the last year, a full recovery is going to be timed to casino operators' ability to return to previous capital expenditure levels, which may be several years away, along with global expansions.



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The AGEM Index

The Association of Gaming Equipment Manufacturers (AGEM) produces the monthly AGEM Index that comprises 17 global gaming suppliers throughout the world. A total of 12 suppliers are based in the United States and are listed on the NYSE, Nasdaq, or AMEX, while two trade on the Australian exchange, one supplier trades on the Athens exchange, one trades on the Milan exchange, and another trades on the Taiwan OTC exchange. The index is computed based on the month-end stock price (adjusted for dividends and splits) of each company and weighted based on approximation of market capitalization. Market capitalizations for manufacturers trading on foreign exchanges have been converted to US dollar-equivalents as of month-end for comparability purposes. The AGEM Index is based on a 100-point value as of January 2005.

About AGEM

AGEM is an international trade association representing manufacturers of electronic gaming devices, systems, and components for the gaming industry. The Association works to further the interests of gaming equipment manufacturers throughout the world. Through political action, tradeshow partnerships, information dissemination and good corporate citizenship, the members of AGEM work together to create benefits for every company within the organization. Together, AGEM and its member organizations have assisted regulatory commissions and participated in the legislative process to solve problems and create a positive business environment.

AGEM Index and Overview



The AGEM index and overview is prepared by Applied Analysis (AA). AA is a Nevada-based advisory services firm providing consultation services for public and private entities. The company utilizes extensive experience in economics, information technology and finance to provide a wide range of services, including urban economic consulting, financial advisory services, market analysis, public policy analysis, hospitality industry and gaming consulting, and information system and technology consulting.

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AGEM Membership Roster

The current AGEM membership roster, 110 strong, is a who's who of the supplier segment of the global gaming industry:

AGEM Gold Members:

- Aristocrat Technologies
- Aruze Gaming America
- Austrian Gaming Industries
- Bally Technologies
- GTECH/Atronic/Spielo
- International Game Technology (IGT)
- Intralot S.A.
- Konami Gaming
- WMS Gaming

AGEM Silver Members: Action Gaming, American Gaming Systems (AGS), Casino Technology, JCM Global, MEI, Multimedia Games, Shuffle Master, Suzo-Happ Group, TCSJohnHuxley and Wells-Gardner Electronics.

AGEM Bronze Members: AC Coin & Slot, Acres 4.0, Ainsworth Game Technology, Astro Corp., Bingotimes Technology, Borden Technology, Cadillac Jack, Cantor Gaming, Cammegh Limited, CashCode / Crane Payment Solutions, Diamond Game, DigiDeal, Digital Display Group, Entropy Precision System, Euro Games Technology (EGT), Galaxy Gaming, GameTech International, Gaming Partners International, Gaming Support, Glory (U.S.A.) Inc., Incredible Technologies, Interblock USA, Iverson Gaming Systems, Jumbo Technology, Lightning Gaming, Matsui Gaming Machine Co., MCA Processing, Modern Gaming, Rocket Gaming Systems, Summit Gaming, Table Trac, THT and Winning Asia Technology.

AGEM Associate Members: 3M Touch Systems, Advantech-Innocore, AxesNetwork Solutions, Bullivant Houser Bailey, Casino Enterprise Management, CMYK Creative, Codespace Gaming, Cole Kepro International, Cybertec Gaming Systems, Diamond Casino Products, DynaGraphic Printing, Elite Casino Products, Esterline Advanced Input Systems, Flextronics, FutureLogic, Gaming Capital Group, Gary Platt Manufacturing, Gemaco Inc., Global Cash Access, Global Gaming Group (G3), Grand Products, Heber Ltd., Howard & Howard, IDX, Intel, IPS, James Industries, KEY-BAK, Kreller Group, Leap Forward Gaming, Lewis & Roca, Lincoln Industries, Masterpiece Advertising, MC2, Money Controls, Nanoptix, Outpost Creative, Phelps Dunbar, Proforma GPS, Quixant Ltd., Regulatory Management Counselors, Rye Park Gaming, Sanmina-SCI, SCA Gaming, Strategy9, StylGame USA, Talent Associates, The Bright Group, Tournament One, TMX, Trade Show Fabrications, TransAct Technologies, Veridocs, Wrex Products and Young Electric Sign Company (YESCO).