

AGEM Index

Association of Gaming Equipment Manufacturers

September 2011

Officially spanning more than two years, the latest economic recovery cycle seems to follow the path of a carousel at times. During this same period, the proliferation of gaming has continued to explode, yet the stock prices of global gaming suppliers are treated like minor beneficiaries. Coupled with stagnant job growth and protests on Wall Street, investors took notice of waning confidence levels by sending most sectors south, including global gaming manufacturers.

During the month of September, the markets pushed the AGEM Index back six months, causing it to take its largest one month fall in more than a year. Declining by 8.18 points or 7.2 percent, the index of 17 global gaming suppliers ended the month at 105.80. Only four companies reported monthly gains in their stock price, three of which are located in markets outside the United States. Selected positive contributors to the index during the month included the following:

- Lottomatica (LTO) reported a 6.81-percent gain in its stock valuation, contributing 0.07 points to the index.

- Intralot (INLOT) contributed 0.03 points to the index sourced to a 8.75-percent increase in its stock price.

Selected negative contributors to the index included:

- Konami (KNM) reported a decline of 8.99 percent in its stock price, removing 2.93 points from the index.
- International Game Technology (IGT) contributed negative 1.44 points to the index as its stock valuation fell 4.78 percent.

For several months, the AGEM Index outperformed the broader equities markets in the United States, but as fears of another recession mount, pullbacks have materialized in almost every sector, including global gaming suppliers. For the month of September, the Dow Jones Industrial Average declined 6.0 percent, Standard & Poor's 500 Index fell 7.2 percent, and the NASDAQ Composite slipped nearly 6.4 percent. Elevated unemployment levels in the U.S., a widening trade gap, and a worsening eurozone debt crisis will continue to put pressure on global markets.

| AGEM | Exchange: Symbol (Currency) | Stock Price At Month End | | | Percent Change | | Index Contribution |
|---|--------------------------------|--------------------------|--------|--------|----------------|------------|-----------------------|
| | | Sep-11 | Aug-11 | Sep-10 | Prior Period | Prior Year | |
| Ainsworth Game Technology | ASX: AGI (AU\$) | 0.37 | 0.47 | 0.13 | (21.28) ↓ | 184.62 ↑ | (0.20) |
| Aristocrat Technologies | ASX: ALL (AU\$) | 2.10 | 2.08 | 3.53 | 0.96 ↑ | (40.51) ↓ | (0.57) |
| Astro Corp. | Taiwan: 3064 (NT\$) | 49.00 | 51.30 | 48.60 | (4.48) ↓ | 0.82 ↑ | (0.07) |
| Bally Technologies | NYSE: BYI (US\$) | 26.98 | 31.38 | 34.95 | (14.02) ↓ | (22.80) ↓ | (1.17) |
| Elixir Gaming Technologies | AMEX: EGT (US\$) | 0.26 | 0.29 | 0.27 | (10.38) ↓ | (3.74) ↓ | (0.02) |
| GameTech International | Nasdaq: GMTG (US\$) | 0.08 | 0.11 | 0.36 | (23.81) ↓ | (77.78) ↓ | (0.00) |
| Gaming Partners International | Nasdaq: GPIC (US\$) | 6.62 | 7.45 | 5.90 | (11.14) ↓ | 12.20 ↑ | (0.04) |
| Global Cash Access | NYSE: GCA (US\$) | 2.56 | 3.00 | 4.08 | (14.67) ↓ | (37.25) ↓ | (0.17) |
| IGT | NYSE: IGT (US\$) | 14.53 | 15.26 | 14.45 | (4.78) ↓ | 0.55 ↑ | (1.44) |
| INTRALOT S.A. | ATHEX: INLOT (€) | 0.87 | 0.80 | 2.84 | 8.75 ↑ | (69.37) ↓ | 0.03 |
| Konami | NYSE: KNM (US\$) | 33.71 | 37.04 | 17.66 | (8.99) ↓ | 90.88 ↑ | (2.93) |
| Lottomatica (GTECH) | MILAN: LTO.MI (€) | 11.77 | 11.02 | 11.24 | 6.81 ↑ | 4.72 ↑ | 0.07 |
| Multimedia Games | Nasdaq: MGAM (US\$) | 4.04 | 4.93 | 3.70 | (18.05) ↓ | 9.19 ↑ | (0.14) |
| Shuffle Master | Nasdaq: SHFL (US\$) | 8.41 | 8.86 | 8.41 | (5.08) ↓ | - | (0.16) |
| Transact Technologies | Nasdaq: TACT (US\$) | 8.11 | 9.76 | 8.00 | (16.91) ↓ | 1.37 ↑ | (0.09) |
| Wells-Gardner Electronics | AMEX: WGA (US\$) | 2.37 | 2.06 | 2.10 | 15.05 ↑ | 12.86 ↑ | 0.03 |
| WMS Industries | NYSE: WMS (US\$) | 17.59 | 21.82 | 38.07 | (19.39) ↓ | (53.80) ↓ | (1.32) |
| Change in Index Value | | | | | | | (8.18) |
| AGEM Index Value: August 2011 | | | | | | | 113.98 |
| AGEM Index Value: September 2011 | | | | | | | 105.80 |

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Uncertainty leads to hesitation, hesitation leads to volatility, and volatility disrupts – a financial market’s adage that seems custom fit for the gaming sector during the last three years. While the entire global economy was shocked in 2008, confidence has yet to return to levels even close to historical norms. This reality notwithstanding, gaming operators have been reporting positive gains amid growth in the broader tourism industry for more than 12 months. As casino operators slowly restock their labor forces, industry performance metrics clearly point to improved performance. Nonetheless, disruptions at the micro and macro level, continue to weigh down on valuations for gaming manufacturers.

Notably, global gaming suppliers are probably better positioned to take advantage of an expanding market than they have ever been. Focusing on core competencies and trimming fat while pushing forward with innovation has been the focal point for many during the latest downturn. That said, prior quarter earnings from a few larger gaming manufacturers continue to shed light on their uphill battle of convincing gaming operators to reinstate normalized machine replacement cycles.

Aristocrat Leisure Limited reported modest gains in Australia and Japan during the first six months of the year, but its largest market in terms of revenue continued to retract. Revenue from North America

pulled back 23.7 percent compared to the same period in 2010, due to “continued soft economic conditions and weak operator capital spend.”

Bally Technologies has faced similar hardship in the U.S. and Canada, where 8,455 replacement units were sold in fiscal year 2011, a decline of 5.1 percent from 2010 and down significantly from the 13,032 replacement units sold in fiscal year 2009.

Moreover, WMS Industries’ latest 10-K noted no leading indicators show “any significant increase in replacement demand for the rest of calendar 2011 or calendar 2012.” While this certainly isn’t a positive outlook, it may suggest gaming manufacturers are seeking out opportunities, instead of waiting for macroeconomic conditions and existing casino capital budgets to improve.

On a positive note, WMS and IGT have increased new units sold in international markets over the last year. It’s likely overseas markets are going to continue to be a bright spot as gaming demand throughout Asia and Europe grows. This is evident in global gaming suppliers’ opening of new international offices and anecdotal evidence from G2E earlier this month, where MGM Chairman and Chief Executive Officer Jim Murren said he expects “two or three” additional gaming markets to open in Asia.



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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: Abbiati Casino Equipment, AC Slots (ACS), Acres 4.0, Ainsworth Game Technology, Alfastreet, Astro Corp., Bingotimes Technology, Cadillac Jack, Cammegh Limited, Cantor Gaming, Crane Payment Solutions / CashCode / Money Controls, Diamond Game, DigiDeal, Digital Display Group, Euro Games Technology (EGT), Galaxy Gaming, Gaming Partners International, Gaming Support, Glory (U.S.A) Inc., Incredible Technologies, Inspired Gaming, Interblock USA, Iverson Gaming Systems, JPM International, Jumbo Technology, Lightning Gaming, Matsui Gaming Machine Co., MCA Processing, Modern Gaming, Patriot Gaming & Electronics, Rocket Gaming Systems, Table Trac and Winning Asia Technology.

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