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22nd February 2012

ASX Release

ASX Code: AGI

Ainsworth Game Technology (AGT) – Half Year Ended 31/12/11

Ainsworth Game Technology Limited (AGT) today announced a profit after tax of \$40.5 million for the six month period ended 31 December 2011. Included in the above result was the recognition of deferred tax assets of \$21.8 million following the initial recognition of \$8.5 million at 30 June 2011.

The profit before tax for the six month period was \$18.8 million, in line with the Group's profit guidance announced in December 2011. This represents a significant improvement on the \$3.3 million profit in the corresponding period in 2010 and was 27% above the \$14.8 million profit reported for the full twelve months ended 30 June 2011. Trading performance from operating activities was \$21.1 million, an increase of 143% on the \$8.7 million in the prior corresponding period in 2010.

Sales revenue achieved for the six month period was \$68.3 million, a 56% increase over the previous corresponding period in 2010. This is the sixth consecutive half of strong revenue growth following the increase of 23% reported for the second half of the financial year ended 30 June 2011.

Domestic revenue of \$51.5 million was achieved, an increase of 46% on the \$35.3 million in the prior corresponding period. This increase was predominately achieved within New South Wales and Queensland which contributed 85% of total domestic revenue. Other domestic markets of Victoria and South Australia more than doubled their contribution from 7% to 15% of total domestic revenue in the current period. In Victoria revenue increased 299% over the previous corresponding period in 2010, despite government regulatory changes leading up to the August 2012 licensing changes.

International revenue was \$16.8 million, a 98% increase on the \$8.5 million in the prior corresponding period. The key market of the Americas represented 74% of total international revenue, an increase of 85% in the current period compared to the 2010 corresponding period. Other international markets of Asia, New Zealand and Europe also contributed 31% of the increase in international revenue.

The Company has established an operational facility in Las Vegas from which shipments have commenced direct to customers within North America. Continued expansion is expected in the second half of FY12 through recruitment of additional experienced sales, technical and game design personnel to ensure revenue growth in this key market.

An extended range of tailored games have been approved and released into North American markets, and it is expected these games will further improve sales volumes in the second half. All field trial requirements applied for have now been completed with initial product installations taking place.

Increased operational revenue through product licensing and recurring revenue streams have assisted in a gross margin of 66% being achieved, compared to 62% in 2010. The improved gross margin was also attributable to an increase in sales of the Company's premium progressive range of products, further cost reductions and continued improvement in production efficiencies.

Operating costs, excluding cost of sales and financing costs were \$24.1 million, an increase of 29% on the corresponding period in 2010. This increase was primarily a result of increased variable selling costs in line with revenue increases, investment in establishing an operational facility in Las Vegas and increased expenditure in research and development to ensure continued emphasis on new product initiatives. Research and development expenditure increased 12% and represented 10% of total revenue compared to 14% for the corresponding period in 2010.

Strong net cash from operating activities of \$15.4 million, an increase of 119% on 2010, and a reduction in investment in inventory of 8% compared to 30 June 2011 has prompted the Company to review its capital structure and initiate debt reduction strategies. Convertible Notes which matured on 31 December 2011 and were not extended in line with terms of the Trust Deed, were redeemed subsequent to the reporting date.

Chief Executive Officer, Mr Danny Gladstone, said “AGT’s strong financial performance is a reflection of the product performance being achieved and development initiatives previously established. It is expected that further product releases will continue to position the Group favourably in all targeted markets. We are excited about the future and the opportunities that an increased presence in Las Vegas will provide through the establishment of a fully operational facility.”

“Leading product performance and the progression of development plans continue to strengthen the Company’s financial returns and establish our reputation as a premium supplier of world-class products. I am pleased to advise that based on the current forecasts the Group expects a before tax financial result in the second half of the year ending 30 June 2012 similar to the first half.”

“Additionally, the Company advises that shareholders at a meeting held on 22 February 2012 approved the sale and leaseback of the Company’s Newington property. This transaction will significantly reduce current debt obligations and associated interest costs. The Company will reflect this transaction in the Group’s full year results for the financial year ending 30 June 2012 with the proceeds of \$22.3 million to be utilised to reduce debt owing to an entity controlled by a director and shareholder, Mr LH Ainsworth.”

Executive Chairman, Mr LH Ainsworth, said “I am delighted with the current progress and financial results now being achieved. I expect continued growth of our market share in all domestic and international markets as the Company progresses development initiatives to provide our customers with an increasing number of hardware alternatives and range of exciting new games.”

“This pleasing result justifies the financial support I have provided and reflects the confidence I have in the prospects of both the Company and the industry generally.”

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For further information please contact:

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or

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