

NOVOMATIC AG

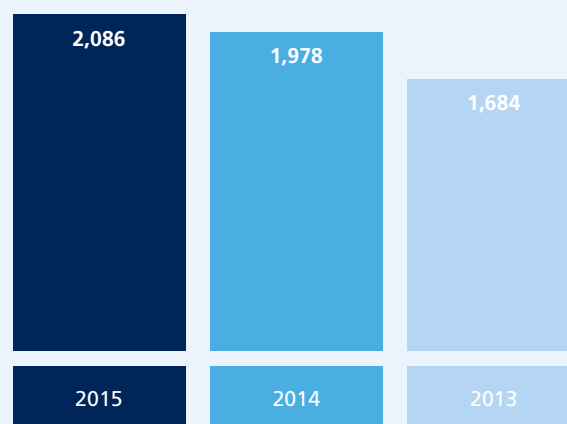


Annual Report  
**2015**

# Overview of Key Figures

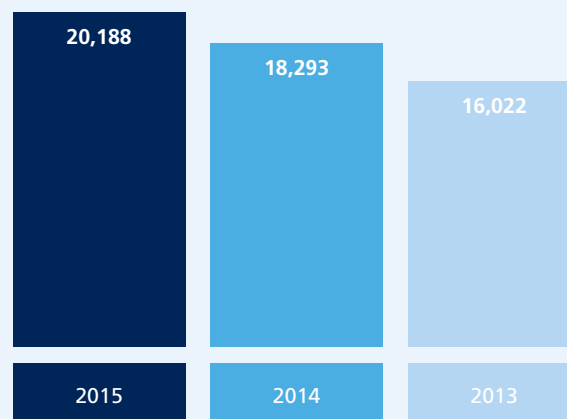
## Sales Revenues

in Million Euro



## Employees

Employees at year end



## Consolidated Profit & Loss Statement

in Million Euro	2015	2014	2013
<b>Revenues</b>	2,086.3	1,977.6	1,684.1
<b>EBITDA</b>	616.7	647.4	480.0
<b>EBITDA margin (EBITDA/sales) in percent</b>	29.6 %	32.7 %	28,5 %
<b>Earnings before interest and taxes (EBIT)</b>	325.4	363.3	174.8
<b>EBIT margin (EBIT/sales) in percent</b>	15.6 %	18.4 %	10.4 %
<b>Earnings before taxes</b>	318.5	368.4	105.9
<b>Consolidated annual profit after taxes</b>	220.7	276.9	55.1

## Consolidated Balance Sheet

in Million Euro	2015	2014	2013
<b>Balance Sheet Total</b>	2,997.2	2,634.4	2,361.4
<b>Equity</b>	1,224.9	1,174.3	952.4
<b>Equity ratio (equity capital/total assets) in percent</b>	40.9 %	44.6 %	40.3 %

Source: Consolidated Financial Statement as of 12/31/2014 and 12/31/2015 as per IFRS

# Organizational Chart

NOVOMATIC Group		
<b>ACE Casino Holding AG</b> (Switzerland, 100 %) casino operator	<b>NOVO Invest GmbH</b> (Austria, 100 %)	<b>Gryphon Invest AG</b> (Switzerland, 100 %)
<b>Casino Mendrisio</b> (100 %) <b>Casino Locarno</b> (91 %) <b>Casino Bad Ragaz</b> (33,3 %)	<b>NOVOMATIC AG Group</b>	<b>European Data Project s.r.o. (EDP)</b> (Czech Republic, 100 %) production operations, casino and gaming machine operations
	<b>NOVOMATIC AG</b> (Austria, 92 % directly and 8 % indirectly by Gryphon Invest AG) Holding	
	<b>Austrian Gaming Industries GmbH</b> (Austria, 100 %) casino and gaming facility operator, R&D, production, rental and sales	<b>ATSI S.A. Advanced Technology Systems International</b> (Poland, 81 %) technology center
	<b>ADMIRAL Casinos &amp; Entertainment AG</b> (Austria, 100 %) gaming facility operator	
	<b>ADMIRAL Sportwetten GmbH</b> (Austria, 100 %) sports betting provider	
	<b>Österreichische Lotterien GmbH</b> (Austria, 23.1 %) lottery operator	
	<b>Greentube Internet Entertainment Solutions GmbH</b> (Austria, 100 %) gaming solutions developer for the Internet, mobile devices and iTV	
	<b>LÖWEN Entertainment GmbH</b> (Germany, 100 %) gaming facility operator, R&D, production, rental and sales	
	<b>Crown Technologies GmbH</b> (Germany, 100 %) R&D, production, rental and sales	
	<b>Extra Games Entertainment GmbH</b> (Germany, 100 %) gaming facility operator	
	<b>Spielbank Berlin Gustav Jaenecke GmbH &amp; Co. KG</b> (Germany, 92.04 %) casino operator	
	<b>NOVOMATIC Italia S.p.A.</b> (Italy, 100 %) holding, rental	
	<b>Allstar S.r.l.</b> (Italy, 100 %) gaming facility operator	
	<b>Astra Games Ltd.</b> (Great Britain, 100 %) R&D, production, sales	
	<b>Bell-Fruit Group Ltd.</b> (Great Britain, 100 %) producer	
	<b>Gamestec Leisure Ltd.</b> (Great Britain, 100 %) rental	
	<b>Luxury Leisure Ultd.</b> (Great Britain, 100 %) gaming facility operator	
	<b>Playnation Ltd.</b> (Great Britain, 100 %) entertainment solutions operator	
	<b>Alfor SIA</b> (Latvia, 60 %) gaming facility operator	
	<b>NOVO Gaming Netherlands B.V.</b> (Netherlands, 100 %) production, rental and sales	
	<b>NOVOMATIC Gaming Spain S.A.</b> (Spain, 100 %) holding, sales	
	<b>GiGames S.L.</b> (Spain, 80%) production, sales	
	<b>NOVOMATIC Lottery Solutions GmbH</b> (Austria, 100 %) developer of gaming platforms and electronic lottery solutions and lottery terminals, production, sales	
	<b>NOVOMATIC Americas Holdings Inc.</b> (USA, 100 %) sales	
		<b>NOVOMATIC AG Group</b> The NOVOMATIC AG Group is a part of the NOVOMATIC Group and includes the main subsidiaries listed here. In addition to this, the NOVOMATIC AG Group is active in England, Germany, Italy, Spain, Latin America and Africa, as well as other CEE and SEE countries through subsidiaries.

**NOVOMATIC Group**  
The NOVOMATIC Group includes NOVO Invest GmbH, the NOVOMATIC AG Group, as well as the two Swiss sister holding companies ACE Casino Holding AG and Gryphon Invest AG, EDP s.r.o. and ATSI S.A., which are owned by Prof. Johann F. Graf.

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## INDIVIDUAL FINANCIAL STATEMENT

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# Overview of the NOVOMATIC Group 2015

*In its relatively short 35-year history, the NOVOMATIC Group with its more than 24,000 employees worldwide has become one of the top players in the gaming industry and the clear number one in Europe.*





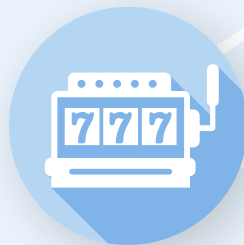
**3,660**  
Registered  
IP trademark rights



**>€ 3.9 billion**  
Revenues



**>24,000**  
Employees  
worldwide



**235,000**  
Gaming terminals  
in operation



**250**  
Individual parts per  
gaming device



**13**  
Production locations  
in 10 countries



**98 %**  
Export Rate



**55 m**  
Cables per  
gaming terminal



**4,300 m<sup>2</sup>**  
Surface area of joinery

**21**  
Technology centers  
in 13 countries

# NOVOMATIC Group Highlights 2015

*NOVOMATIC looks back at the best financial year in its 35-year history. As a globally operating full-service provider with operations in all important gaming markets, the Group covers all segments of the gaming industry.*



## January

### **NOVOMATIC UK: New identity and new headquarters**

In early 2015, NOVOMATIC's British subsidiary "Astra Gaming Group" changed its name to NOVOMATIC UK. The company also moved to new headquarters in London.



## 10 February and 11 March

### **NOVOMATIC's subsidiary Greentube acquires AbZorba**

### **Games as well as a majority stake in BlueBat Games**

AbZorba Games is a specialist of social casino gaming apps, perfectly complementing NOVOMATIC's interactive gaming portfolio. BlueBat Games had already previously contributed significantly to the development of the social marketing platform Greentube Pro.



## 3 through 5 February

### **The best ICE (International Casino Exhibition) Totally Gaming**

For NOVOMATIC, ICE Totally Gaming 2015 in London marked the company's most successful trade fair appearance, recording the most visitors ever at its 4,500 m<sup>2</sup> stand.





## August

### New headquarters and new developments for NOVOMATIC AMERICAS

The new headquarters in Mount Prospect close to Chicago are inaugurated in August.



## 3 September

### NOVOMATIC celebrates its 25<sup>th</sup> anniversary in Romania

The NOVOMATIC Group operates approximately 1,900 gaming terminals through its subsidiaries and is the market leader in operations.



## 24 September

### NOVOMATIC UK acquires Playnation

Playnation's portfolio perfectly complements the NOVOMATIC Group and plays a key role in its strategy within the British gaming entertainment industry.



## 12 September

### 40<sup>th</sup> anniversary of Spielbank Berlin

The casino in Berlin celebrated its anniversary with a gala dinner. The celebrity guests included Olympic champion Robert Harting, musician Frank Zander and Niki Lauda.

# NOVOMATIC Global Operations



 NOVOMATIC  
activities

 NOVOMATIC  
competence centers

 NOVOMATIC  
Headquarters Gumpoldskirchen



# Growing Success Starts Here

*During the past ten years, the NOVOMATIC Group has increased the number of its employees on all continents almost sevenfold.*

## ESTABLISHMENT

Founded by Professor Johann F. Graf, Austria

1980

## INTERACTIVE REVOLUTION

First NOVOMATIC dual screen terminals revolutionize the market

1985

## MARKET ENTRY

Central, Eastern and Southern Europe

1989

## ESTABLISHMENT

of the sports betting company **ADMIRAL Sportwetten GmbH**, Austria

1991

**ADMIRAL**

## ACQUISITION

**LÖWEN Entertainment GmbH**, Germany gaming terminal manufacturer



2003

## ACQUISITION

of the majority share in **Astra Games Ltd.**, Great Britain

2004



## INAUGURATION

**CASINO ADMIRAL PRATER**, Austria



2005

## REVOLUTION

**LÖWEN Entertainment GmbH** revolutionizes the German gaming market with its new multigame concept **NOVILINE**

2006

2015

**ACQUISITIONS**

**BlueBat Games Inc.**, Canada  
**AbZorba LLC**, USA  
**Casino Tornado**, Lithuania (5th casino)  
**Electronic System S.p.A.**, Italy  
**Österreichische Lotterien GmbH**, Austria  
**Playnation Ltd.**, United Kingdom

**MARKET ENTRY**

Madrid (operations), Catalonia (lottery)

**CORPORATE CREDIT RATING**

S&P assigns NOVOMATIC AG an investment grade rating of BBB and a stable outlook

**PROMISSORY NOTE BONDS**

with a volume of EUR 275 million, Austria

2014

**Niki Lauda** becomes NOVOMATIC brand ambassador

**BOND**

Corporate bond with a volume of EUR 200 million, Austria

**INAUGURATION**

**Hotel Casino FlaminGO**, Macedonia

**ACQUISITIONS**

**Luxury Leisure Ultd.**, Great Britain, Scotland  
**GiGames S.L.**, Spain



**Elam Group Electronic Amusement B.V.**, Netherlands

**MARKET ENTRY**

Israel, Illinois, Costa Rica, Honduras, Guatemala

2013

**BONDS**

Corporate bond with a volume of EUR 250 million, Austria

**MARKET ENTRY**

Netherlands, Romania (with VLTs)  
**Eurocoin Gaming B.V., JVH exploitatie**, Netherlands

**Betware Holding hf.**, Iceland

development and sale of state-of-the-art gaming platforms and electronic lottery solutions

2012

**ACQUISITION**

Substantial assets of the **Danoptra Gaming Group** (Bell-Fruit Group and Gamestec Leisure Ltd.), Great Britain



2011

**BONDS**

Two corporate bonds with a total volume of EUR 350 million, Austria

**MARKET ENTRY**

Italy

**ONLINE MARKET ENTRY**

via acquisition of the Greentube Group, Austria



**ACQUISITION**

**Spielbank Berlin**, Germany



**ACQUISITION**

**G. Matica**, Italy

2010

2009

**INAUGURATION**

New NOVOMATIC HQ in Gumpoldskirchen, Austria

2007

**ACQUISITION**

**Crown Technologies GmbH**, Germany premium gaming germinal manufacturer



**ACQUISITION**

**Crown Gaming S.A.C.**, Peru

# Foreword by the Founder and Majority Shareholder

Dear Ladies and Gentlemen,

In the 35<sup>th</sup> year since its establishment, NOVOMATIC has just completed the best fiscal year in its corporate history.

For the first time ever, the NOVOMATIC AG Group's revenues passed the EUR 2 billion mark. Together with the two Swiss sister holding companies, ACE Casino Holding AG and Gryphon Invest AG, the NOVOMATIC Group was able to achieve joint cumulative revenues of approximately EUR 4 billion.

I am very pleased with these successes. Not only because we once again achieved excellent results during the past fiscal year, but also because we were once more able to significantly increase the number of our employees. At the end of the year, the NOVOMATIC AG Group employed 20,188 employees – an increase of 10.4 percent. The entire NOVOMATIC Group already has more than 24,000 employees. During the past ten years, the number of our employees has increased almost sevenfold, from 3,500 to 24,000 – a testament to how dynamic our growth has been during the past decade.

Even in economically challenging times, I always followed the maxim that our corporate philosophy cannot look to short-term profit maximization, but must rather follow a long-term, sustainable strategy. Our impressive success was made possible

by NOVOMATIC's dynamic development, combining organic and acquisitions-based growth with continuous optimization measures. This is not least confirmed by the number of fully consolidated companies included in this annual report, which in 2015 increased from 178 to 188.

In addition to numerous expansion steps into important international gaming markets, we also solidified our importance in our home market at the location of our headquarters in Austria during the past year, when NOVOMATIC AG acquired shares in Österreichische Lotterien GmbH and entered into several purchase contracts for the acquisition of direct and indirect shares of Casinos Austria Aktiengesellschaft.

Crucial to our future success around the globe is that as a technologically pioneering full-service provider, we cover all segments of the gaming industry and that our products and services ensure satisfied customers and guests. Apart from our innovative strength, it is our employees who provide the foundation for our success story – each and every one of the now more than 24,000 members of our NOVOMATIC family. For I am truly convinced that the most important decisions in a company always relate to people.



**Prof. Johann F. GRAF**  
Founder and majority shareholder





Dr. Christian Widhalm

Thomas Graf

Peter Stein

Harald Neumann

Ryszard Presch



# Foreword by the Board of Directors

## Dear Ladies and Gentlemen,

During fiscal year 2015, the NOVOMATIC AG Group increased its revenues by 5.5 percent to a total of EUR 2,086.3 million – the highest result since our Group of companies was founded. The largest increase was achieved in the area of gaming technology rental, where revenues rose by 7.9 percent to EUR 594.7 million. Significant revenue growth was also achieved regarding sales revenues and betting revenues.

During the reporting period, we successfully executed our strategy to cover all segments of the gaming industry as a globally operating full-service provider and to enhance our market share in important European gaming markets. In Spain, for example, we are now pursuing our successful dual strategy, having acquired the producer GiGames, as well as several gaming facilities. Meanwhile, in the UK, we were able to significantly strengthen the Gaming Technology segment through the acquisition of Playnation, an operator of approximately 20,000 entertainment devices at more than 1,700 locations. Younger business areas at NOVOMATIC, such as our Lottery subsidiary NOVOMATIC Lottery Solutions (NLS) or the areas of online, mobile and social gaming, also achieved an impressive development.

With the emission of three tranches of promissory notes with a total volume of EUR 275 million, NOVOMATIC carried out the largest financial transaction in its corporate history during fiscal year 2015. In its initial assessment, NOVOMATIC AG's excellent creditworthiness received an investment grade rating of „BBB“ with a stable outlook from ratings agency Standard & Poor's. With this rating, NOVOMATIC is one of the highest-rated gaming companies worldwide.

During the reporting period, NOVOMATIC further enhanced its position as an attractive employer. The company also achieved the strongest growth within the ranking of companies with the most valuable brands: in the brand value study "eurobrand Austria 2015", we took third place with a brand value of EUR 2,830 million (increase by EUR 211 million).

We furthermore enhanced our sustainability strategy in the area of corporate responsibility (CR), which documents our responsibility in sensitive business areas such as player protection.



**Harald Neumann**  
Chairman



**Ryszard Presch**  
Deputy Chairman  
Chief Operating Officer



**Thomas Graf**  
Chief Technology  
Officer



**Peter Stein**  
Chief Financial  
Officer



**Dr. Christian Widhalm**  
Chief Investment  
Officer

# The World **NOVO**



# of MATIC





NOVOMATIC employees in front of the headquarters in Gumpoldskirchen

# The world of **NOVOMATIC**

*As a globally operating full-service provider, NOVOMATIC continues to execute its strategy of covering all segments of the gaming industry. Apart from continuous product innovation, the future focus of the company lies on an even stronger diversification of the business areas. With their extensive know-how, the company's employees make a major contribution towards achieving this goal.*

"Pioneering trends start here" – this guiding principle not only shows NOVOMATIC's innovative strength but also highlights the company's employees as its most valuable asset. NOVOMATIC is convinced that the company owes its

success to the interaction and innovative strength of its individual employees. This is based on their multicultural diversity, consistent education and training, as well as their networked knowledge.

35 years after it was founded, NOVOMATIC is one of the largest gaming technology companies in the world with more than 24,000 employees, 3,300 of whom live and work in Austria. Founded in 1980 by the industrialist Prof. Johann F. Graf, NOVOMATIC, consisting of NOVOMATIC AG as well as its two Swiss sister holding companies, ACE Casino AG and Gryphon Invest AG, can look back upon an unparalleled success story. The Group operates locations in 50 states and exports innovative gaming equipment, system solutions, lottery system solutions and services to 80 countries.

The basis of the company's worldwide success can be found in its dual strategy: as a producer of high-tech gaming equipment and operator of electronic casinos, regular casinos and sports betting facilities, as well as a technology and service partner in the lottery segment. NOVOMATIC is a one-stop provider covering the entire spectrum of gaming. The Group operates more than 235,000 gaming terminals and video lottery terminals (VLTs) in over 1,600 own electronic and regular casinos, as well as via rental models. The extraordinary degree of vertical integration of more than 90 percent constitutes another unique competitive advantage. It is consistently leveraged via the Group's interlinked research and development technology centers around the globe. It also allows the entire Group to realize considerable synergies.

A core characteristic of NOVOMATIC is its unique, innovative strength, which is why research and development has such a high priority. Austrian Gaming Industries GmbH (which changed its name to NOVOMATIC Gaming Industries as of March 1, 2016), the Group's flagship producing company, is known not only for its outstanding workmanship and state-of-the-art products but has also established itself as the world market and technology leader in the construction of gaming terminals. Its annual investments in research and development, well above the industry average, truly pay off in practical operations. The 21 technology centers in 13 countries and 13 production locations in ten countries play a crucial role in the development of innovative technologies, system solutions and promising products for the online, mobile and social gaming segment.

In Austria, the subsidiary ADMIRAL Casinos & Entertainment AG (ACE) is in charge of the operation of currently 123 (as of January 2016) electronic casinos in Upper Austria, Lower Austria, Burgenland and Carinthia. Towards the end of 2015, the company also received a legally effective approval for

the operation of electronic casinos in Styria. The rollout of the facilities was initiated in early 2016. In addition to this, ADMIRAL Sportwetten GmbH – the Austrian market leader for sports betting facilities – operates a total of 243 locations in the domestic market alone. In Germany, the specialist for sports betting was also able to expand its competencies and continue its long-term growth strategy.

In the online segment, the subsidiary Greentube Internet Entertainment Solutions GmbH plays a central role in achieving additional diversification for the Group. This company is a leading provider and operator of online gaming and social gaming services in Europe, the US and Australasia. Through its majority stake in BlueBat Games, acquired during fiscal year 2015, the company is now also active in Canada. The acquisitions of BlueBat Games Inc. and US-based AbZorba Games LLC, both completed at the beginning of 2015, constitute logical steps in strengthening the company's position in these markets and enhancing know-how in the area of social gaming apps. As a successful content provider for licensed online and offline providers exclusively in regulated markets, NOVOMATIC took another step towards achieving a full-service offering with the establishment of NOVOMATIC Lottery Solutions GmbH (NLS) in 2013. The NOVOMATIC subsidiary active in the lottery segment succeeded in rapidly positioning itself within the industry.

The NOVOMATIC Group is positioned for steady, controlled and sustainable growth and will continue to consistently pursue this successful strategy. The core markets include, in particular, the member states of the European Union, as well as Central, Eastern and South-Eastern Europe. With its early commitment, the Group has established, expanded and maintained an excellent position in these countries. Apart from further increasing market share in these regions, the focus is also on markets with stable long-term growth prospects such as Latin America, Asia and the US, where NOVOMATIC has been active for four years. With its pioneering position as a trendsetter in the area of online, social and mobile gaming, with an output of more than 100 new games per year, the Group is well-equipped to handle the evolving market-specific requirements.

# Regulatory Environment

*NOVOMATIC provides its products and services only in regulated markets with clear regulatory and legal frameworks. This has always had the highest priority for NOVOMATIC and has proven to be of great value in ensuring continued and stable growth. It follows that pursuing the highest possible degree of legal certainty represents a central and fundamental principle that underlies the business transactions engaged in by the entire NOVOMATIC Group.*

NOVOMATIC advocates social responsibility and strict statutory regulations with regard to gaming at both domestic and international level. Within the single European market, gaming remains the only market segment for which the regulations have still not been harmonized among the member states. While it is not foreseeable in the near future, NOVOMATIC nevertheless demands a European harmonization of gaming, in order to create improved conditions for market participants. Basic requirements for business activities in this sector include a transparent licensing process for providers, the implementation of player protection measures in accordance with the highest standards, as well as measures aimed at combating crime and preventing money-laundering.

With the amendments to the federal Austrian Gaming Act passed in 2010 and the newly enacted state laws for machine gaming in Lower Austria, Upper Austria, Carinthia, Burgenland and Styria, a basis for legal and player protection-focused business practices by market participants in the field of fixed-location gaming was created. Effective regulatory measures to prevent illegal gaming were put in place.

In this context, the protection of data is an important issue: the operating subsidiary ADMIRAL Casinos & Entertainment AG has an information security management system (ISMS) in place which is certified according to the security standard ISO 27001. In early 2015, this system successfully passed its

recertification. An ISMS that adheres to this standard must include various security components, especially measures to ensure access control and data encryption. The ADMIRAL Card itself received the European privacy seal EuroPriSe and was successfully recertified in the fourth quarter of 2014.

As is well-known, all gaming terminals operated by NOVOMATIC AG's subsidiaries active in Vienna under valid licenses granted in accordance with the Viennese Events Act (Veranstaltungsgesetz) were decommissioned on December 31, 2014. This change in law, without doubt, posed an economic and organizational challenge for NOVOMATIC, which was handled through the introduction of appropriate structural measures. The Constitutional Court declared its own legal view on this matter in a decision dated March 12, 2015, and confirmed the expiration of the state concessions as of December 31, 2014. So far, the State of Vienna has not availed itself of the possibility of regulating state-licensed gaming within the scope provided by the Austrian Gaming Act.

In the area of sports betting, a trend can be observed among legislators to introduce stricter regulations, with particular regard to betting terminals and live betting. In this context, there is a danger that overregulation results in unmarketable requirements. A judgment passed by the Federal Administrative Court has revoked the concessions for the operation of two casinos originally granted to



NOVOMATIC brand ambassador Niki Lauda

ADMIRAL Casinos & Entertainment AG. Both NOVOMATIC and the Federal Ministry of Finance have filed an appeal against the verdict and requested an extraordinary audit; a decision by the administrative court is still pending.

In Germany, the changes to the German State Treaty on Gaming and stricter state-specific regulations for gaming halls will result in a difficult market environment as well as a considerable reduction in the number of gaming machines.

In the US and Australia, NOVOMATIC will continue to face the challenge of operating under what are arguably the strictest regulatory conditions anywhere while intensifying its efforts to expand its business activities in these markets by applying for further licenses. Successful license grants, for example in Illinois, have proven that success in this endeavor is possible. The Group expects the near future will also bring changes to the regulatory environments of other countries, both within and outside the EU.



ACT

NOVOMATIC



# Research & Development

*Thanks to its technology centers, NOVOMATIC is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group holds 3,660 registered IP trademark rights.*

The NOVOMATIC Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smartcard systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service", online and mobile gaming system solutions, and jackpot systems, as well as multiplayer and community gaming systems, to name but a few of the more important ones. Both modular software architecture and interoperability of the various developments are crucially important.

Development activities should be equally efficient for both homogeneous markets and highly specialized niche markets, ensured by open platform architecture and development teams specialized in individual market segments. The open platform infrastructure allows for an integration of third-party providers and their gaming applications in order to satisfy market needs in a better and faster manner.

In developing the newest generation of cabinet variants and models, which kick off new industry trends, industrial design is an extremely important factor. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video lottery and AWP gaming markets with control possible via up to five monitors; skill-based roulette facilities with state-of-the-art ball rejection mechanisms; the use of state-of-the-art curved displays with a size of up to 65 inches to simulate special effects, such as roller strip extensions and novel games; VIP terminals with giant screen technology; and dynamic lighting effects based on LED technology. In terms of data security, increasing

emphasis is being placed on proprietary physical random number generators using quantum mechanics.

The trends in the industry point towards a continued fusion of well-known pop culture themes, for example from TV shows and films, with gaming. In addition to this, jackpots are becoming more and more important. The NOVOMATIC Group, therefore, expanded its portfolio by introducing various new jackpot systems such as stand-alone progressive, linked and mystery progressive.

Development is supported by hardware and software development teams in Austria, Germany, Great Britain, Iceland, the Netherlands, Spain, Russia, Argentina, Canada and Poland, working either in-house or in a Group-related capacity, as well as by exclusive partnerships with developers in Slovenia, Greece, the US and Australia.

The global importance of intellectual property protection is on the rise. With more than 3,660 registered IP trademarks and in excess of 100 registrations per year, this area is paid special attention. The Group is constantly developing new products and product variations, resulting in over 300 new gaming variants per year. With the help of software development kits (SDKs), it is possible to add games developed by third parties (who use these SDKs) to the portfolio immediately. NOVOMATIC's innovative prowess receives frequent public recognition in the form of awards.

# Gaming Machines

*In developing the newest generation of cabinet variants and models, which kick off new industry trends, industrial design is an extremely important factor.*

NOVOMATIC's wholly owned subsidiary Austrian Gaming Industries GmbH (AGI) is the Group's most important subsidiary in the areas of research and development, production and international distribution. AGI and its affiliated subsidiaries offer one of the industry's widest product portfolios, enabling them to supply all segments of the gaming industry. The duality of acting as both operator and manufacturer offers AGI a unique opportunity to extensively test new product developments in the Group's own gaming operations in different markets. This guarantees an ongoing exchange of know-how between the closely linked business segments, as well as a continuous evaluation of the development process and the different product innovations even before they are offered to international customers.

Traditionally, the most important innovations for the current fiscal year are presented at the world's largest and most important trade show "ICE Totally Gaming". As the largest exhibitor with a 4,500 m<sup>2</sup> stand, NOVOMATIC introduced a wide range of new products and features for international operators at the event in February 2015. The exhibition showcased products and solutions in the segments of casino, AWP/LPM (amusement with prizes/limited payout machines), management systems, cash management, online/mobile/social gaming offered by Greentube and its subsidiaries, B2B solutions for sports betting, as well as lottery products introduced by NOVOMATIC's subsidiary NOVOMATIC Lottery Solutions GmbH (NLS).

In early 2015, the gaming terminal DOMINATOR® Curve was successfully introduced into the market as the Group's new flagship product. The DOMINATOR Curve is a dramatic evolution of the internationally successful DOMINATOR® cabinet, offering all of the tried and tested ergonomic and design-related

elements that made its predecessor so popular, in addition to a vertical 40" full HD curved touch screen. The player's position at the center point of the curved screen guarantees intensive gaming experiences with first-rate graphics and excellent sound. At the ICE Totally Gaming trade show, the DOMINATOR® Curve was already presented with a full suite of specially developed games, as well as NOVOMATIC's first own mystery progressive stand-alone jackpot. During the course of the year, more games were added to this new series.

Further highlights introduced during fiscal year 2015 included an enhanced Panther Roulette™ II with new attractive LED elements, the NOVOSTAR® V.I.P. II with its impressive 50" XL screen on the V.I.P. Wall presented by Astra, as well as a large selection of new games for the COOLFIRE™ II and NOVO LINE™ Interactive platforms. The important range of multigame mixes with up to 46 games per multi-game edition was also expanded and made available for new jackpot themes such as the Book of Ra™ jackpot as well as Four Seasons™. Four Seasons™ was introduced at the same time, with four games developed especially for this jackpot theme. New market-specific products such as the ACTION GAMINATOR® and the MAGIC GAMES™ HD were also introduced on the important US video gaming terminal market in Illinois.



No



DIAMOND	\$ 1,003.13	5,000
GOLD	\$ 506.38	1,000
SILVER	\$ 109.40	500
BRONZE	\$ 87.32	100



# Online, Mobile and Social Gaming

*Through “social gaming”, where games are played exclusively for entertainment purposes, NOVOMATIC’s portfolio of games is now available across all media channels.*

The area of online gaming is one of the fastest-growing sectors – not least because new technological innovations and developments are continuously introduced to the market. More and more capable end devices, including versatile smartphones and tablet computers, offer new opportunities for consumers while at the same time creating completely new challenges for providers. The NOVOMATIC Group’s online specialist Greentube Internet Entertainment Solutions GmbH takes on all these challenges head first, working tirelessly to further develop successful products.

Greentube is not only one of Europe’s leading B2B providers for gaming content, but also one of the leading social gaming operators in Europe. Its comprehensive portfolio includes casino slots, table games, bingo, poker, live dealer gaming, AWP slots, server-based gaming and social casino solutions, allowing terrestrial casinos to stay in touch with their guests after they have left the premises.

The gaming content is licensed to B2B partners. The company’s partners include industry giants such as Sky, Ladbrokes and the Rank Group in Great Britain, and Unibet from Scandinavia. Important aggregators include Openbet and the NYX Gaming Group.

Greentube continuously expands and enhances its portfolio of interactive content through the activities of several subsidiaries: Funstage, Cervo Media, Platogo, BlueBat Games, StakeLogic and AbZorba Games. With these comprehensive resources, Greentube has established itself as a market leader in the area of interactive online entertainment. Mazooma Interactive Games, Eurocoin Interactive, Slot Studio and many other game development studios guarantee a consistent gaming experience on any end device.

In Italy, where Greentube has been present with its own license and corresponding offerings since 2012, an exemplary regulated market has developed over the past few years. Moreover, in addition to having also obtained a license in the German federal state of Schleswig-Holstein, Greentube also now holds local licenses in Great Britain, Spain, Belgium and Latvia. The company is currently working on market entries in several other European countries that are in the process of introducing new regulations.

With its long history in the market for mobile gaming, Greentube also guarantees a seamless gaming experience on mobile devices. The development of mobile gaming clients for the widest possible selection of end devices is proceeding at a tremendous pace. Greentube is now capable of bringing NOVOMATIC products to market for iOS and Android, based on HTML 5 technology, and has already integrated an extensive range of games into the existing sales channels. Supported by NOVOMATIC’s vast experience and knowledge, all partners involved are able to access completely new opportunities.

Greentube offers a continuously expanding selection of attractive HTML 5-based random number generated (RNG) games which can be loaded in a browser and require no installation at all. With its solid HTML 5 competencies, Greentube is a leading B2B provider of classic casino games that can be operated on any platform.

Irrespective of whether the games are provided for online or mobile devices, Greentube transfers NOVOMATIC’s most popular and successful blue chip content to its mobile solutions.

The NOVOMATIC gaming portfolio has also established itself in the area of so-called “social gaming” across all the media channels described above. In this extremely popular segment, games are played exclusively for entertainment purposes, i.e. without any payout of winnings. In this area, Greentube is present with popular brands such as Gametwist™ and Pharaoh’s Way Slots™.

Greentube Pro has developed a social casino platform which allows operators to test new games, analyze their guests’ preferences and then implement these games at their physical casinos. This B2B marketing platform allows terrestrial casinos to use social casino gaming to stay in touch with their guests – and vice versa. This approach offers decision-makers in casinos an excellent tool for customer acquisition and retention.

The essential feature differentiating Greentube Pro from many other competing solutions is the approach regarding player interaction. The online player is fully immersed in the casino’s brand and interacts with “his” or “her” casino on a virtual basis.

Casinos which choose Greentube Pro can furthermore access the entire games library offered by Greentube and all other NOVOMATIC subsidiaries, as well as numerous unique features such as direct marketing tools which employ vouchers to bring players back to the terrestrial casino world.

Greentube’s omni-channel strategy combines online, mobile and server-based gaming, offering customers a comprehensive and networked gaming portfolio. Plurius™, a true server-based gaming solution for casino and VLT markets, uses single wallet management to allow the provision of new games through various types of channels such as desktops, smartphones, tablets, iTV, as well as server-based player terminals. The many development companies within the NOVOMATIC Group guarantee unrivaled gaming quality in a highly competitive market.

The innovation Plurius™ completes the company’s omni-channel approach. Games from Greentube’s entire online gaming platform can be integrated with the Plurius™ system without any additional development effort. This way, the system combines a wide range of world-famous NOVOMATIC titles, as well as popular online slots offered by various subsidiaries or external providers.

The core element of Plurius™ is the NOVOMATIC Remote Game System (NRGS), a state-of-the-art gaming platform offering previously unimaginable opportunities. The dynamic configuration management system is only one example of the many features offered by this system. The Plurius™ portfolio includes more than 80 games, another 50 NOVOMATIC titles, and is rounded off by additional content from third-party gaming providers.





Casino ADMIRAL Hoofddorp in the Netherlands

# Operations

*The long-standing success of the casinos operated throughout Europe, as well as the acquisition of Playnation in the United Kingdom, contributes significantly to NOVOMATIC's international expansion.*

The NOVOMATIC Group operates more than 1,600 gaming facilities worldwide: electronic casinos, casinos with live gaming activities and sports betting facilities. They all stand not only for the finest entertainment and service at the highest level but also for innovative products and system solutions.

Through its subsidiaries Austrian Gaming Industries GmbH (AGI) and ADMIRAL Casinos & Entertainment AG (ACE), NOVOMATIC was once again able to enhance its position as a leading operator of electronic casinos and thereby defend its market leadership in Europe during the 2015 fiscal year. NOVOMATIC operates modern electronic casinos throughout

Europe via subsidiaries. In Austria, for example, ACE is responsible for the operation of a total of 123 facilities (as of January 2016) in Lower Austria, Upper Austria, Carinthia and Burgenland. Towards the end of 2015, the company also received a legally effective state license in Styria. The roll-out of the facilities was initiated in early 2016. 24 facilities are scheduled to open their doors in the first quarter of 2016 and more locations are currently being planned. In total, ACE thus operates more than 2,000 gaming terminals throughout Austria. All of these terminals have been successfully connected to the Federal Data Processing Center via a permanent, real-time link.

In addition to this, NOVOMATIC was able to strengthen its position in further core markets in Central, Eastern and South-Eastern Europe. In Germany, for example, NOVOMATIC enjoys a stable position with its three subsidiaries Extra Games Entertainment GmbH, BPA Freizeit- und Unterhaltungsbetriebe GmbH and ADMIRAL Play GmbH. NOVOMATIC also operates a total of seven casinos in Germany, including Spielbank Berlin at the Potsdamer Platz. In September 2015, this venerable casino celebrated its 40th anniversary. It generates the highest revenues of any casino in Germany and welcomes more than 2,000 guests daily. Its gaming area spans 11,000 square meters across four floors.

In Italy, Europe's largest gaming market, the number of electronic casino locations was once again increased during the past fiscal year. A noteworthy fact is that NOVOMATIC is the only company to supply all Italian concessionaires with video lottery terminals (VLTs), making it the Italian market leader with more than 24,000 VLTs in operation. The same applies in Romania, where NOVOMATIC, as the market leader, has more than 800 employees, operating over 1,900 gaming terminals at more than 130 locations. In September 2015, NOVOMATIC celebrated its 25<sup>th</sup> anniversary in Romania.

At the beginning of fiscal year 2015, the NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) renewed its existing partnership agreement with the Bosnian state lottery Lutrija BiH for another ten years. A possible increase in the number of video lottery terminals in operation, which is regulated by law and currently limited to a maximum of 1,000 devices, has been agreed. Additionally, the deployed gaming devices may be modernized and updated to fulfill the latest requirements, if necessary.

In Great Britain, where gaming has a long-standing tradition as a popular leisure activity, NOVOMATIC UK, comprising Luxury Leisure, Gamestec Leisure, Bell-Fruit Games, Mazooma Interactive and RLMS Sales, is among the country's largest producers and operators. In September 2015, NOVOMATIC UK, a wholly owned subsidiary of Austrian Gaming Industries GmbH, acquired the Playnation business from Palatine Private Equity. Playnation offers family entertainment solutions for the leisure industry. With its approx. 800 employees, the company operates approximately 20,000 entertainment devices at more than 1,700 locations in Great Britain, including holiday parks, motorway service facilities, bowling alleys, pubs and airports.

NOVOMATIC has also been very successful in the Baltic States for more than 20 years. More than 2,000 employees in Lithuania, Estonia and Latvia currently operate five casinos, as well as a total of 160 gaming facilities with more than 4,600 own gaming terminals. The fifth casino was inaugurated in May 2015 in Lithuania under the "Casino Tornado" brand. With this new location, NOVOMATIC's Lithuanian businesses now operate a total of 700 gaming terminals in the casinos as well as 20 further facilities. After intensive and comprehen-





sive negotiations, the company was successful in obtaining a further license for the operation of a casino in the capital city of Vilnius. This sixth location was inaugurated at the end of 2015.

NOVOMATIC's flagships in the casino segment also include the Swiss casinos in Mendrisio, Locarno and Bad Ragaz, numerous casinos in the Czech Republic such as Casino ADMIRAL Colosseum in Haté, as well as Casino FlaminGO in Macedonia,

which opened its doors in 2014. All of these establishments enjoy some of the strongest revenues within their respective regions. After extensive reorganization and restructuring measures, Casino ADMIRAL Gibraltar celebrated its grand reopening in May 2015. The new Casino ADMIRAL now offers a 2,830 m<sup>2</sup> gaming floor on two levels, with 270 video slots, 9 live tables, as well as a sports betting lounge and a bingo arena with 400 seats.



American roulette at the Kassel casino

# ADMIRAL



ADMIRAL Sports Betting

# Sports Betting

*The new umbrella organization NOVOMATIC Sports Betting Solutions now coordinates all of the NOVOMATIC Group's sports betting activities within the international B2B segment, offering superior, innovative sports betting solutions.*

True to its company philosophy of "building trust through bookmaking competency, payment security and respectability," ADMIRAL has been a competent provider of sports betting services for 25 years. ADMIRAL offers its customers a comprehensive range of betting services, either at one of its about 250 ADMIRAL locations or via smartphones, sports betting terminals or online. After its foundation, ADMIRAL Sportwetten rapidly managed to conquer a share of more than 50 percent in its domestic market, thereby becoming the clear number one within the Austrian sports betting facilities business. The betting specialist offers a unique quality concept: innovative betting offerings, state-of-the-art technology and an inviting coffee house ambiance.

Building on its leading position in the on-site betting market, the company had already established a successful online presence since 2001. With more than 100,000 registered users, ADMIRAL also has a very strong online customer base. The ADMIRAL To Go! app offers customers an additional platform on which to access the comprehensive range of betting services provided. For anybody who would rather not place their bets at a betting office or online, ADMIRAL betting terminals offer an attractive alternative with various placement options, providing sports and live bets, as well as bets on current sporting events.

The bookmaking team contributes significantly to the success of this comprehensive betting service. More than 20 so-called "bookies" analyze sports news, observe the entire offering and subsequently offer the attractive ADMIRAL odds for countless sporting events. An internal risk management team ensures that corporate success is secured and that match-fixing, which time and again has made its way into headlines, is prevented. The trends towards live betting, where customers can bet in real-time on an ongoing sporting event, the work of the bookmakers has changed considerably. Furthermore,

the live broadcast program is expanded continuously, which in consequence also means a higher number of bets is offered. The trend toward live betting continued in fiscal year 2015. Live bets placed at betting terminals already deliver 75 percent of the total revenues while 35 percent are generated at the betting facilities' check-out. Betting revenues generated through online and mobile business increased by 25 percent over the previous year. This was in large part due to regular customer loyalty promotions, as well as continued improvements to the mobile version.

Since 2014, ADMIRAL Sportwetten has also been offering its entire range of betting services in Germany. During 2015, ADMIRAL operated three facilities in the federal state of Schleswig-Holstein. For 2016, an expansion to ten locations is planned. NOVOMATIC Sports Betting Solutions (NSBS) constitutes a further milestone. This umbrella organization was established in 2015 with the objective of marketing the NOVOMATIC Group's sports betting activities within the international B2B segment. NSBS currently supports the international activities of ADMIRAL Sportwetten, Na Zvezi and SBT through e.g. joint marketing activities and the coordination of collaborative efforts within the Group. In the autumn of 2015, NSBS organized the first joint trade show appearance, presenting a superior omni-channel sports betting solution for the management of an unlimited number of self-service terminals and checkouts for the terrestrial segments, as well as secure online and mobile sports betting solutions using responsive web design and platform-independent configurations. All three companies under the NSBS umbrella will be pursuing an international expansion strategy in 2016. For this, the innovative betting systems are constantly being updated, so as to adapt them flexibly to the individual regional requirements and to make the betting experience as attractive as possible for customers.

# Lottery

*NOVOMATIC continues to expand its competence in terms of lottery services, leveraging its own experience and comprehensive know-how.*

As a gaming technology group, NOVOMATIC has always striven to continuously expand its competencies in all areas of modern gaming. With the acquisition of Betware Holding hf., an Icelandic pioneer in the field of lottery technology, NOVOMATIC took the ultimate step toward full integration in November 2013.

A logical consequence of this development is continued expansion in the classic lottery segment. With the establishment of the subsidiary NOVOMATIC Lottery Solutions GmbH (NLS) in mid-2014, the NOVOMATIC Group has now bundled its lottery competence in one place. Thanks to the combined resources, experience and know-how of NOVOMATIC and Betware, NLS can offer any lottery operator an innovative 360 degree solution for all sales channels, including online and mobile solutions. With its innovative "bring your own terminal" solution, NLS clearly stands apart from its competition. The objective of this strategy is to minimize the investment expense for lotteries, in particular regarding hardware. The general approach at NLS is to keep the costs for equipment per location as low as possible. This makes it easier to establish new facilities, as the costs per location remain low. This is supported additionally, for example, through the use of tablets, wirelessly connected to the ticket printer.

Since July 2014, NOVOMATIC can also count itself among the members of the three most important lottery associations worldwide: the World Lottery Association (WLA), the European Lotteries (EL) and the Corporación Iberoamericana De Loterías Y Apuestas De Estado (CIBELAE). The World Lottery Association is a worldwide member-based organization that promotes the interests of state lottery companies by advocating the highest ethical principles and supporting its members in achieving their visions. As one of its most recent members,

NOVOMATIC was recognized as a Gold Contributor. During fiscal year 2015, this membership status was expanded to Platinum Contributor. The number of Platinum Contributors is limited to four members. With this, the Group has proven not only that it is one of the industry's leading international players, but also that it complies with the WLA's high standards regarding corporate and social responsibility. The European Lotteries, an umbrella organization for national lotteries, has also recognized these efforts and rewarded NOVOMATIC with the status of Associate Member. The CIBELAE, an association of lotteries in Latin America, has furthermore accepted NOVOMATIC as a STAR Provider ("provedor estrella").

In July 2015, NLS entered into a six-year contract with the Catalan Lottery (Lotería de Catalunya). The agreement includes the entire lottery facility management services for the autonomous Spanish region of Catalonia, both for online and instant lottery products and services. The agreement enters into force as of April 1, 2016, and includes an option for an extension of another two years.

In 2015, the innovations and developments at the NOVOMATIC Group once again attracted considerable attention on the international stage – demonstrated not least at the European Lotteries Congress (ELC) in Oslo, where NLS acted as the ELC's Premium Partner, and at the North American Association of State and Provincial Lotteries (NASPL) in Dallas. The NASPL marked the first time NLS has participated in a large trade show in North America. The response among participants confirmed the company's successful approach in the area of lottery technologies. At further trade shows, including in South Africa, NLS was able to leave an equally strong impression with visitors, customers and business partners with its products and solutions.



  
**NOVOMATIC**  
LOTTERY SOLUTIONS

  
**NOVOMATIC**  
LOTTERY SOLUTIONS  
**EXPECT BETTER**

# STAKEHOLDER DIALOG

Nachhaltig. Innovativ. Konstruktiv.



Stakeholder Dialog 2015 at the Novomatic Forum

## Corporate Responsibility

*NOVOMATIC assumes responsibility in many ways, including and with particular regard to our core business.*

Corporate Responsibility (CR), as the strategically managed sense of responsibility at NOVOMATIC is called, is closely linked to our positive corporate culture and actively contributes to NOVOMATIC's long-term business success. In this context, corporate responsibility means a conscious departure from a purely philanthropic point of view, focusing instead on an active institutionalization of CR management at a Group level. This is also clearly visible in the five areas on which operational and strategic CR management focuses:

- **"Responsible Entertainment"** for us means ensuring – through suitable measures (with technological and social components) – that participation in gaming activities and the use of our offerings remains entertainment. Apart from the ADMIRAL Card system, which has been implemented in the area of state-licensed gaming in five Austrian federal states, the area of sports betting has also taken measures to ensure that our customers enjoy "responsible entertainment". In addition to this, we have established Group-wide internal minimum standards for areas such as training and further education.

- **“Great place to work”** on the one hand describes the management approach we pursue with regard to the satisfaction and motivation of our employees. On the other hand, it outlines the many different measures NOVOMATIC implements on a national and international scale in order to be perceived as an attractive employer. Apart from the implementation of corporate health management in Austria, these activities also include a strong focus on employee satisfaction surveys which offer our management team important constructive feedback.
- **“Corporate Governance”** is a multi faceted term, which on the one hand refers to internal measures implemented by a company in order to ensure that laws and regulations are adhered to, on the other hand, however, includes internal corporate guidelines (such as a Code of Conduct). For us, this term furthermore includes the long-term perspective on which we base our corporate decisions, as well as quality management and internal risk management which support us in managing our company on the basis of certain principles and values.
- **“Together”** describes the principle upon which our sponsoring partnerships are based: we value partnerships which offer a benefit to both parties, NOVOMATIC and our sponsoring partner. Ideally, carefully selected targeted sponsoring activities allow us to create opportunities and possibilities, for example in promoting young talents in the areas of arts and sports. A close collaboration is crucial in bringing the second pillar of our social commitment to life: recently, NOVOMATIC has started to support voluntary charitable commitments of employees in Austria. An international roll-out of this corporate volunteering project under the name of NOVOTeam is currently being planned.
- **“NOVOMATIC goes green”** refers to our measures and projects aimed at ensuring that we act sustainably regarding environmental protection and ecology: As a manufacturing company, a strict look at the resources we use is a matter of course – as is a considerate approach to their consumption.

Together with NOVOMATIC’s annual report, we also publish the annual Corporate Responsibility Report, which includes more detailed information on CR management at NOVOMATIC. For the first time ever, the reporting scope now also includes the German LÖWEN Group, as well as the NOVOMATIC

Italia Group. The CR report is prepared in accordance with the requirements of the Global Reporting Initiative 4.0, Level “core”, and parts of it have been subjected to an external audit review.

In addition to this, the current CR report also includes an update on NOVOMATIC’s materiality matrix that not only reflects the relevance of certain CR topics from a stakeholder and business perspective but also provides a foundation for all CR management activities at NOVOMATIC. Based on the results of several analyses and, in some parts, with support from external advisors, a reassessment of the existing priorities of the individual topics was carried out. Apart from previously known material aspects, several new topics were introduced into the matrix. The current CR report focuses in particular on the matters in the top right-hand quadrant of the matrix, as these are of particular relevance from both a stakeholder and a business perspective.

It is hardly surprising that the importance of the topic cluster “Compliance and Anti-Corruption” increased in the new matrix. Not least because of the continuously increasing internationality of the Group and related points of contact with different jurisdictions, a compliance management system firmly rooted within the company that constitutes an effective tool to minimize risk.

Compared to the previous version of the materiality matrix established in 2013, the aspect of innovation also received higher priority, thus reflecting one of the company’s core values. Another new development is the increased awareness regarding the topic of environment and environmental management. Here, our employees, in particular, attach considerable importance to aspects such as resource conservation and recyclability. Last but not least, the subject of responsibility along the supply chain was brought up by both perspectives – a matter which for a manufacturing company of our size is of particular importance. Because of this, the 25 largest contractors supplying the headquarters in Gumpoldskirchen with products and raw materials were analyzed during 2015 regarding their social, ecological and economic risks.

# Consolidated **STATE**





# Financial MENTS



# Management Report

*on the 2015 Individual Financial Statement and Consolidated Financial Statements, NOVOMATIC AG, Gumpoldskirchen*

## 1. Purpose of the Business and Strategy

NOVOMATIC<sup>1</sup> is a globally operating, integrated gaming technology and entertainment group with more than 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, produces and sells gaming products, lottery technology solutions and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates more than 1,400 gaming facilities worldwide, which includes casinos, automated casinos, bingo facilities and sports betting outlets.

In addition to developing gaming equipment, the NOVOMATIC Group has established itself as a game content provider for licensed online and offline providers and as an operator of online gaming platforms. The NOVOMATIC Group is aware of its considerable social responsibility and pursues business activities only in markets with a clearly defined legal framework.

NOVOMATIC's dual strategy as a manufacturer of state-of-the-art gaming equipment as well as an operator of gaming facilities has contributed considerably to the company's success since its establishment. With this integrated approach, the Group is able to introduce newly developed products into the marketplace very quickly, gain insights into their potential success and subsequently influence the development of new products in a goal-oriented manner.

## 2. Economic Conditions

### Macroeconomic Development

In 2015, the global economy achieved a moderate increase in gross domestic product (GDP). In its latest analysis, the International Monetary Fund assumes a growth rate of 3.1 percent<sup>2</sup>. As in the preceding years, the expansion of the global economy remained below its long-term trend. The regional shift of growth dynamics already evident in recent years continued to accelerate. While growth in the developed countries continues to strengthen, the economic dynamics of many emerging markets has decreased significantly, and their growth edge over the developed countries has shrunk.

The emerging market economies increased their gross domestic product by 4.0 percent in 2015, which constitutes their fifth consecutive year of lower growth. One of the main reasons for this development is the continued slowdown of economic growth in China. Due to state-controlled measures targeted at limiting credit expansion, investment growth had already decelerated

<sup>1)</sup> In this management report, the terms "NOVOMATIC", "Group" and "NOVOMATIC Group" refer to the group of consolidated companies included in the consolidated financial statements for NOVOMATIC AG.

<sup>2)</sup> According to the World Economic Outlook provided by the International Monetary Fund (IMF)

substantially in the previous year. In 2015, fears surrounding a possible “hard landing” of the Chinese economy increased considerably, as epitomized by the dramatic collapse of the Chinese stock market.

At the same time, the majority of the remaining emerging and developing countries faced a multitude of additional headwinds. Apart from the lower demand for commodities from the slowing Chinese economy, an increase in production capacities for commodities caused massive price declines, in particular for crude oil and metals. The reversal of the interest rate policy in the United States creates additional challenges for commodity-exporting countries. Emerging and developing countries in particular have financed their economic stimulus programs introduced to fight the financial crisis through loans denominated in US dollars. A continued appreciation of the US dollar could give rise to the specter of defaults among systemically relevant financial institutions and states.

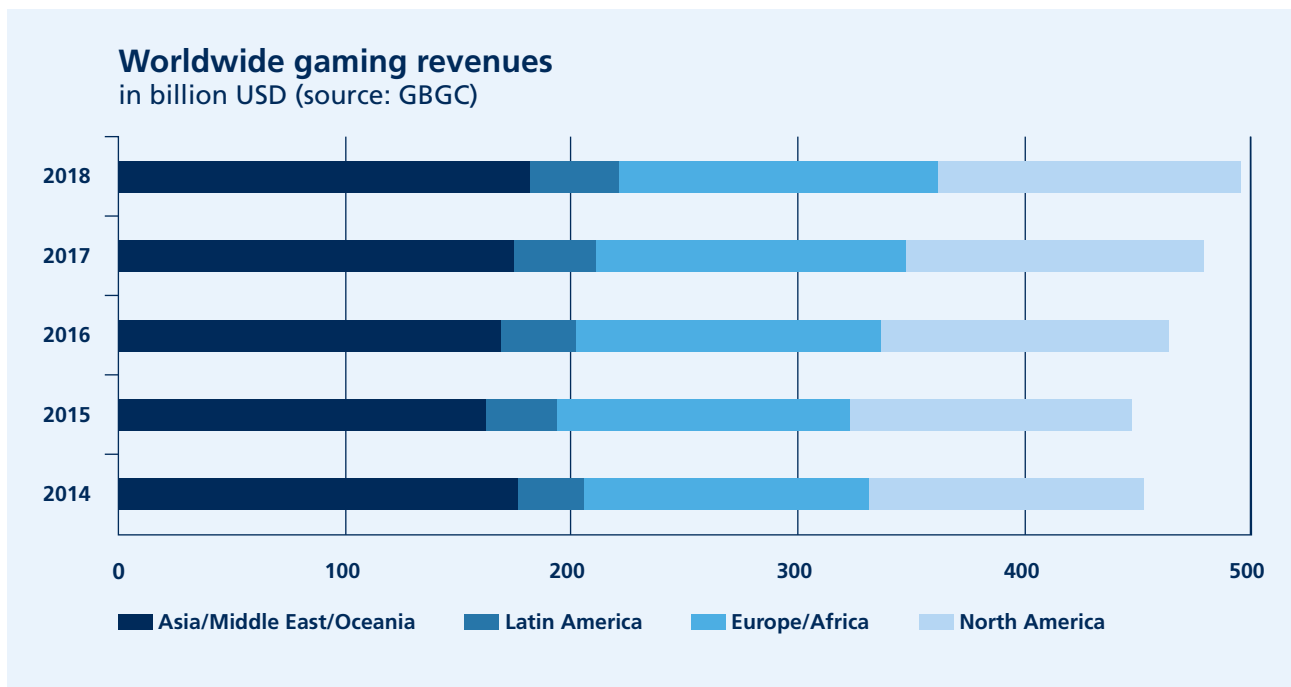
With a macroeconomic growth of 2.5 percent, the United States was able to achieve a solid development in 2015. The increase was supported by several positive underlying conditions. While the U.S. Federal Reserve ended its purchases of fixed-income assets in October 2014, it did not implement its first (minor) interest rate hike until December 2015. During the year under review, monetary policy therefore still had an expansive effect. Private consumption benefited from the rebound of the labor market, as well as the declining indebtedness of private households. In addition to this, the decline in energy prices supported the recovery of the industry and boosted the purchasing power of private households.

The European Monetary Union was able to overcome the previous year’s economic weakness. Led by Germany, the euro zone posted an increase in GDP by 1.5 percent in 2015. In January 2015, the European Central Bank (ECB) introduced additional monetary measures by expanding its bond purchasing program, all the while keeping its base rates low. This resulted in a slight easing of credit supply conditions, a trend reversal regarding credit volumes and a weakening of the effective exchange rate between the euro and the US dollar. The more favorable financing conditions and the enhanced access to credit encouraged companies to increase their expenditures for additional investments. Despite an adverse development of global trade, export volumes of the euro region and trade volumes within the euro zone increased. Private consumption also provided substantial growth momentum. Additionally, continued low energy prices resulted in employment growth and increased discretionary income.

In its current forecast for the domestic economy, the Austrian Institute of Economic Research (WIFO) projects a continuation of the weakness. In 2015, the Austrian economy posted a GDP growth of merely 0.7 percent. This constitutes the fourth consecutive year in which growth comes in below 1 percent. As the global economy failed to provide positive impetus, the desired export growth remained below expectations. Private consumption, which in Austria traditionally has a stabilizing effect on the economy, also increased only slightly due to the moderate income trends among private households and the considerable increase in unemployment over the previous year. Low business confidence, weak domestic demand and uncertainty regarding further economic development continued to dampen the investment demand.

## Development of the Gaming Market

During the year under review, global gaming expenditures contracted for the first time since 2009. According to a study carried out by Global Betting and Gaming Consultants (GBGC), worldwide gross gaming revenues came in at USD 447 billion for 2015, a reduction of 1.1 percent against the previous year. The decline observed in 2009 was caused by the global financial crisis and emanated mainly from the developed nations. In 2015, however, it was Macau, the world's largest gaming metropolis, which was responsible for this negative development.



In particular since the gaming monopoly in Macau was overturned in 2002, the Asia-Pacific region has grown to become the most important gaming market worldwide. In 2015, 36.4 percent of all global gaming revenues were generated in this region. Compared to the previous year, however, this marks a significant decline. Apart from a slowdown in the Chinese economy, the main reason for this development is the campaign on the Chinese mainland to fight corruption and money laundering. The result is that more and more wealthy Chinese, the so-called "high rollers", stay away from the casinos in Macau. At the end of 2015, the Macau gaming authorities published a study according to which the gross gaming revenues of the casinos operated on the island collapsed by 34.3 percent against the previous year.

Despite this unfavorable revenue development, US casino operators in particular plan to invest more than USD 20 billion in new locations on Macau's Cotai Strip in 2016 and beyond. The main emphasis will be less on casino operations and more on family-oriented entertainment and shopping amenities. This is in line with the policy promoted by the Chinese authorities who wish to improve the city's image and market Macau as a global tourist destination.

Compared to the other three large markets (Asia-Oceania, North America and Europe), the gaming market in Latin America is less significant. Currently, however, this region is achieving the strongest growth momentum worldwide. Compared to the previous year, gaming revenues increased by 7.0 percent, with the lottery sector posting particularly impressive gains.

The North American gaming market grew by 3.2 percent in 2015. The casino sector, with a share of 56.4 percent and by far the largest segment of the North American gaming industry, contributed to this increase with a growth of 1.7 percent. This growth is mainly due to the many new casino projects initiated during the past few years. At the same time, a cannibalization with regard to

established gaming regions occurred. This trend is particularly noticeable in the Northeast of the USA. Here, the traditional gaming metropolis Atlantic City suffered a huge loss after the states of Pennsylvania, New York and Maryland opened new casino locations.

According to a study carried out by GBGC, the combined Europe/Africa gaming market achieved revenues of USD 129.1 billion during the year under review. With a share of 35.1 percent, lottery companies, which to a large extent are government-controlled, constitute the most important sector of the European gaming industry, followed by the area of gaming devices outside of casinos (video lottery terminals, fixed odds betting terminals and classic AWP<sup>3</sup> devices). In 2015, the European gaming market grew by 2.3 percent, with the strongest growth rates coming from the casino sector as well as the area of lotteries.

According to a study carried out by H2 Gambling Capital, global online gaming revenues increased to USD 41.2 billion in 2015, resulting in an average annual growth rate of 10.6 percent. From the outset, Europe played a pioneering role regarding statutory regulation of online gaming. During the year under review, the continent was once more the world's leading region in the area of online gaming. For the year under review, Europe commanded a share of 52.9 percent of this important growth market.

The trend towards stronger regulation and liberalization of online gaming was also clearly recognizable during the past fiscal year. After Spain and Romania granted online gaming licenses in 2015, it is becoming increasingly likely that in the future, the Netherlands will also be regulating online gaming. In addition to this, there are continued signs for a further opening of markets, in particular in North America (Pennsylvania) and South America (Colombia and Brazil).

Since 2013, the number of M&A transactions within the gaming industry has been increasing. Lately, many of the targets have included players in the online gaming sector. According to analysts at Deutsche Bank, the trend towards further consolidation will continue – in particular in Europe, where growth rates continue to slow, while at the same time higher marketing costs, rising gaming taxes and increasing competition weigh on profitability. In this environment, it is becoming more and more difficult for start-ups to gain a foothold, as critical size is crucial to a company's ability to withstand the competition.

Social Gaming constitutes a special variant of online gaming. The interactive games in this sector are, to a large degree, based on classic gaming activities, although they provide no payout option for winnings. Social gaming, therefore, does not fall under gaming legislation. In particular, the provisions of the Unlawful Internet Gambling Enforcement Act (UIGEA), a law passed in the United States in 2006, do not apply. Terrestrial casinos in the United States have discovered they can benefit from this, using social gaming as an opportunity to attract and retain customers. Because of this, the United States is the leading nation in the worldwide social gaming market, which according to estimates by Eilers Research had a volume of USD 4.7 billion in 2015. The United States commanded a market share of 40 percent during the year under review.

<sup>3)</sup> Amusement with prizes

### 3. Business Performance

#### Significant Events during the Reporting Period

For NOVOMATIC, fiscal year 2015 was one of the most successful years since the company was founded in 1980. Through organic growth and acquisitions, revenues surpassed EUR 2 billion for the first time in the company's corporate history, reaching a value of EUR 2,086.3 million. Despite the difficult market environment in the home country of Austria, earnings before interest and taxes (EBIT) came in only slightly below the previous year's level at EUR 325.4 million. The number of companies included in the scope of consolidation once more underscores the NOVOMATIC Group's growth dynamics. The number of fully consolidated companies increased from 178 (as of December 31, 2014) to 188 by the end of 2015.

#### Acquisitions and Disposals of Interests in Companies

On the one hand, the objective of acquisitions is to achieve or solidify a market-leading position in existing markets. On the other hand, acquisitions support the pursuit of NOVOMATIC's strategy in the area of new technologies aimed at creating the basis for an accelerated and sustainable future growth.

One of the most important developments during fiscal year 2015 was NOVOMATIC AG's investment in Österreichische Lotterien GmbH (Österreichische Lotterien). Starting in June 2015, NOVOMATIC carried out a series of purchase transactions resulting in an indirect total investment of approximately 23.1 percent in Österreichische Lotterien. The majority shareholder of Österreichische Lotterien is Casinos Austria Aktiengesellschaft (CASAG). With this investment, NOVOMATIC intends to support Österreichische Lotterien as a sustainable and stable domestic co-shareholder.

During the second half of 2015, NOVOMATIC furthermore concluded several purchase agreements for the acquisition of direct and indirect interests in Casinos Austria AG. The transactions remain subject to various approvals according to public and company law, pre-emption rights of co-shareholders, as well as further formal approval requirements. At the time of preparation of this management report, they had not yet been finalized. The total volume of the transactions included direct and indirect investments in CASAG amounting to a total interest of approximately 39.5 percent.

After the balance sheet date, a long-term strategic partnership was agreed with the Sazka Group, one of CASAG's shareholders. Among other things, this alliance provides for the creation of a joint venture which is to hold shares in CASAG and Österreichische Lotterien previously acquired and to be acquired in the future (see chapter "Significant Events after the Balance Sheet Date").

In September 2015, the NOVOMATIC Group acquired 100 percent of the shares of Ensco 962 Ltd., the mother company of the Playnation Group (Playnation). Together with its subsidiaries, the acquired company is one of the United Kingdom's leading gaming companies. Playnation operates approximately 20,000 entertainment and gaming devices at more than 1,700 locations, mainly in amusement parks, motorway service facilities, bowling alleys, pubs and airports. The objective of this transaction is to further strengthen NOVOMATIC's market presence and to achieve synergies with other Group companies which are mainly active in the pub segment.

In December 2015, NOVOMATIC acquired all the outstanding shares of Overlord Gaming S.L., a Spanish group of companies focused on the operation of gaming facilities in Spain. This acquisition aims at further enhancing the NOVOMATIC Group's market position in the Spanish operating gaming segment – one of Europe's largest gaming markets.

During the course of fiscal year 2015, several smaller operators of gaming facilities in Germany, Italy and the United Kingdom were acquired. With these acquisitions, the Group is enhancing its market position in some of Europe's most important core markets.

In May 2015, NOVOMATIC sold all its shares in the Slovenian company Novo Investicije d.o.o. as well as its five Slovenian subsidiaries and sub-subsidiaries. In December of the past fiscal year, the Group also sold 100 percent of its shares in Dazzletag Entertainment Ltd. for Group-strategic reasons.

### Concessions and other important events

In 2015, ADMIRAL Casinos & Entertainment AG, a NOVOMATIC Group company, was awarded concessions for state-licensed machine gaming in further federal states of Austria. The granted licenses authorize the company to operate 337 gaming machines in the Federal State of Styria, as well as 259 gaming machines in the Federal State of Carinthia.

In June 2014, the Austrian Federal Ministry of Finance (BMF) granted licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. Because of a complaint brought forward by a competitor, the individual licenses granted to ADMIRAL Casinos & Entertainment AG for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July 2015. Both NOVOMATIC and the Federal Ministry of Finance filed an appeal against the verdict and requested the administrative court to carry out an extraordinary audit. At the time of preparation of this management report, the decision by the Supreme Court was still pending.

On December 31, 2014, all gaming devices operated by the NOVOMATIC Group in Vienna were decommissioned due to a change in the state laws on gaming in the federal capital. The NOVOMATIC Group's companies with concessions in Vienna submitted an individual request to the Constitutional Court, in order to review the constitutionality of the new legal provisions regarding state-regulated gaming in Vienna. With its decision dated April 2, 2015, the Constitutional Court rejected this request and confirmed that the provisions of the Gaming Act are not unconstitutional.

In July 2015, NOVOMATIC Lottery Solutions GmbH (NLS), a NOVOMATIC Group company, entered into a six-year contract with the Catalanian Lottery (Loteria de Catalunya). The agreement includes the entire lottery facility management services for the autonomous Spanish region of Catalonia, both for online and instant lottery products and services. Under this contract, NLS will provide 2,300 online lottery terminals, as well as a modern, central server system, including retail, internet and mobile solutions. With this cooperation, NOVOMATIC was able to establish itself as a sustainable technology partner for large international lotteries.

In October 2015, NOVOMATIC AG received an investment grade rating of "BBB" with a stable outlook during the initial assessment carried out by rating agency Standard & Poor's. With this rating, NOVOMATIC is one of the highest-rated gaming companies worldwide. This positive assessment will enhance the further diversification of the company's international investor base.

During fiscal year 2015, NOVOMATIC carried out the largest financial transaction in its corporate history with the emission of three tranches of promissory notes with a total volume of EUR 275.0 million. The proceeds will be used to increase the liquidity available for strategic purposes. The notes transaction further enhances the business relationships with international investors.

## Consolidated Financial Statements for NOVOMATIC

NOVOMATIC AG's consolidated financial statements have been prepared according to the reporting and measurement methods stipulated by the IFRS (International Financial Reporting Standards).

### INCOME STATEMENT

#### Condensed Version with Selected Positions

in million EUR	2015	2014	Difference in %
<b>Revenues</b>	<b>2,086.3</b>	<b>1,977.6</b>	<b>5.5 %</b>
Cost of material and other purchased services	-282.8	-252.8	11.9 %
Personnel costs	-567.8	-512.4	10.8 %
Other operating expenses (including gaming taxes)	-899.3	-799.5	12.5 %
<b>EBITDA (= earnings before interest, taxes, depreciation and amortization)</b>	<b>616.7</b>	<b>647.4</b>	<b>-4.7 %</b>
<b>EBITDA margin in %</b>	<b>29.6 %</b>	<b>32.7 %</b>	
Depreciation and amortizations	-291.3	-284.1	2.5 %
<b>EBIT (=operating profit)</b>	<b>325.4</b>	<b>363.3</b>	<b>-10.4 %</b>
<b>EBIT margin in %</b>	<b>15.6 %</b>	<b>18.4 %</b>	
Financial result	-7.0	5.1	>-100
Earnings before taxes	318.5	368.4	-13.6 %
<b>Annual profit</b>	<b>220.7</b>	<b>276.9</b>	<b>-20.3 %</b>

### Earnings Position

During fiscal year 2015, revenues surpassed EUR 2 billion for the first time in the company's corporate history, reaching a total of EUR 2,086.3 million. This is an increase of 5.5 percent over the previous year.

The largest absolute increase was achieved in the area of rental revenues which rose by 7.9 percent to EUR 594.7 million. Apart from the successful acquisition of Playnation in the United Kingdom completed in 2015, the established companies in Italy and Germany also contributed to this positive development.

Revenue growth came in slightly lower in the areas of betting revenues (up EUR 19.4 million), gaming machine revenues (up EUR 18.7 million) and sales revenues (up EUR 13.1 million). Compared to previous periods, machine revenues, however, underperformed due to the discontinuation of state-regulated gaming in Vienna. E-business revenues also increased by only EUR 10.4, showing signs of a weakening momentum compared to previous years.

Linked to the higher sales revenues and increased capitalized own work, regarding gaming devices created in-house, material costs increased by EUR 30.1 million against the previous year. The inventories of finished goods and work in progress grew by EUR 8.2 million during 2015.

The increase in personnel expenses to EUR 567.8 million is due to the expansion during the years 2014 and 2015. The greatest changes were recorded in Great Britain, Germany and Italy.

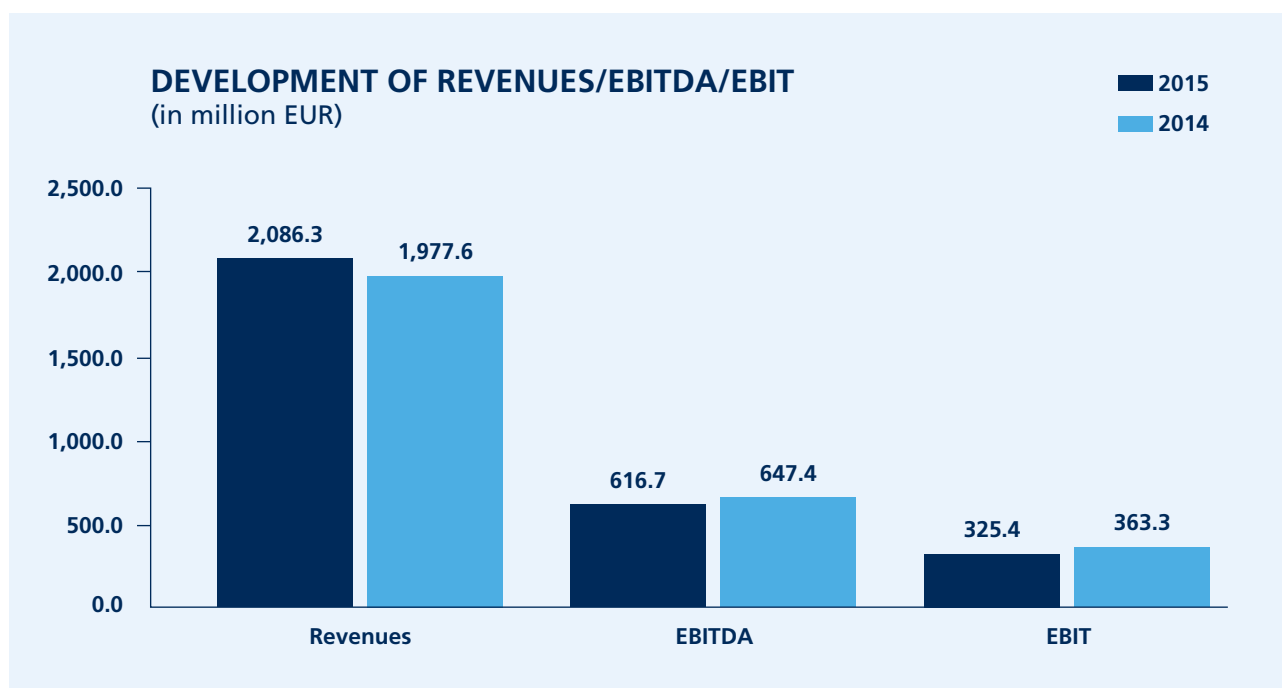
In terms of other operating expenses, including gaming taxes, there was an increase to EUR 899.3 million in 2015. The increase was mainly related to the expansion of business activities. The largest increases relate to items development expenses (up



EUR 15.9 million), other expenses (up EUR 15.1 million), rental, lease and operating expenses (up EUR 14.7 million) and gaming taxes and betting fees (up EUR 13.4 million).

Depreciations across the Group increased by EUR 7.2 million to EUR 291.3 million. Apart from increases related to acquisitions in the United Kingdom, this position also increased due to unscheduled impairment losses in Austria and the Netherlands.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined by 4.7 percent against the previous year to EUR 616.7 million. This corresponds to an EBITDA margin of 29.6 percent, compared to 32.7 percent in 2014. Operating profit (EBIT) came in at EUR 325.4 million, down from EUR 363.3 million in the previous year.



At EUR -7.0 million, the financial result came in below the previous year's level of EUR 5.1 million.

After consideration of tax expenses amounting to EUR 97.8 million, the Group was left with an annual profit of EUR 220.7 million for 2015.

## Assets Position

The balance sheet total rose by EUR 362.8 million compared to the December 31, 2014, figure, amounting to EUR 2,997.2 million as of December 31, 2015. In terms of non-current assets, intangible assets increased by EUR 68.8 million to EUR 507.5 million. The increase was mainly related to licenses and concessions and is in large part due to the newly acquired companies in Spain, Germany and the United Kingdom.

Property, plant and equipment increased from EUR 799.0 million in the previous year to EUR 861.7 million. The greatest deviation relates to the item "Devices" (which in particular includes gaming devices and betting terminals) and is mainly caused by the acquisition of Playnation in the United Kingdom, as well as the purchase of smaller companies in Italy and Spain.

Starting in June 2015, NOVOMATIC carried out a series of purchase transactions resulting in an indirect total investment of approximately 23.1 percent in Österreichische Lotterien. This resulted in a sharp increase in reported financial assets, which jumped by EUR 189.1 million to a total of EUR 204.1 million.

Current assets increased slightly by EUR 44.4 million to EUR 1,199.5 million during 2015. While the value of inventories increased only slightly against the previous year, trade receivables and other receivables rose significantly by 24.1 percent to EUR 359.2 million.

Another major change regarding current assets was in relation to cash and cash equivalents. Compared to the previous year, cash and cash equivalents decreased by EUR 41.8 million to EUR 585.4 million. This was mainly caused by the repayment of the bond due in January 2015 (with a volume of EUR 200 million).

## BALANCE SHEET

### Condensed Version

in million EUR	2015	2014	Difference in %
<b>Assets</b>			
Non-current assets	1,797.8	1,479.4	21.5 %
Current assets	1,199.5	1,155.0	3.8 %
<b>Balance sheet total</b>	<b>2,997.2</b>	<b>2,634.4</b>	<b>13.8 %</b>
<b>Liabilities and shareholders' equity</b>			
Equity	1,224.9	1,174.3	4.3 %
Non-current liabilities and provisions	1,209.2	788.9	53.3 %
Current liabilities and provisions	563.1	671.2	-16.1 %
<b>Balance sheet total</b>	<b>2,997.2</b>	<b>2,634.4</b>	<b>13.8 %</b>

During the reporting period, equity capital rose by EUR 50.6 million to EUR 1,224.9 million, of which EUR 49.9 million consisted of other shareholders' shares. In addition to this, equity capital is comprised of the share capital of NOVOMATIC AG (amounting to EUR 26.0 million), capital reserves (amounting to EUR 1.0 million), retained earnings (amounting to EUR 1,180.5 million), the revaluation reserve as per IAS 39 (amounting to EUR -8.6 million) and the currency translation adjustment (amounting to EUR -23.9 million). As of the reporting year's balance sheet date, the equity ratio was 40.9 percent, compared to 44.6 percent in the previous year. Due to the lower Group results, the return on equity declined to 17.7 percent.

Non-current financial liabilities increased by EUR 407.2 million to EUR 1,043.7 million during the fiscal year while current financial liabilities were reduced by EUR 233.2 million to EUR 36.9 million. The decrease in current financial liabilities reflects the repayment of the bond due in January 2015. The increase in non-current financial liabilities is in part related to acquisitions carried out during the current fiscal year. The additional funds were also used to optimize the financing structure.

Trade payables and other liabilities increased significantly to EUR 450.4 million, compared to EUR 317.6 million at the end of 2014. This increase is mainly due to higher liabilities from other taxes. Due to a legal dispute between Italian competitors and the Italian gaming authority, the competent court decided that all Italian concessionaires (i.e. including ADMIRAL Gaming Network S.r.l., a NOVOMATIC Group company), should not pay a part of their gaming taxes to the competent authority until the matter has been settled, but must instead deposit these amounts in a specifically designated bank account. For NOVOMATIC, this results in a temporary increase in tax liabilities as well as cash and cash equivalents by EUR 82.9 million.

## Financial Situation

### Cash Flow

Across the Group, cash flow from operational activities totaled EUR 417.4 million in 2015, compared to EUR 444.5 million the previous year. This decrease in cash flow from operational activities is due to lower operating profit, higher tax payments and an increase in receivables.

Due to a court order, part of the gaming taxes paid by all Italian concessionaires (i.e. including ADMIRAL Gaming Network S.r.l., a NOVOMATIC Group company) must be deposited into a specifically designated bank account (see chapter „Assets Position“). This has resulted in the recording of additional tax liabilities of EUR 82.9 million as of the balance sheet date on December 31, 2015. As this tax liability has already been deposited, this transaction is recorded as cash-effective within the cash flow from operating activities. The cash and cash equivalents shown on the balance sheet as of December 31, 2015, include the amount of EUR 82.9 million as funds restricted for this purpose. This leads to a deviation between the change in cash and cash equivalents disclosed in the cash flow statement and the change in cash and cash equivalents resulting from the comparison of cash and cash equivalents as of December 31, 2015, and December 31, 2014.

Cash flow from investment activities amounted to EUR -439.9 million in the year under review, while the comparative figure for the year 2014 amounted to EUR -195.7 million. Apart from an increase in cash outflows for investments in gaming devices produced in-house against the previous year, this significant change was in particular due to the transactions for the purchase of an indirect interest of approximately 23.1 percent in Österreichische Lotterien.

The cash flow from financing activities amounted to EUR -105.2 million during the reporting year, a decline against the previous year's value of EUR -47.8 million. While in the previous year the issuance of a new bond (volume of EUR 200 million) resulted in a positive cash inflow, the cash flow from financing activities decreased in 2015 due to the repayment of a bond which had reached maturity (volume of EUR 200 million). The interest and dividend payments increased against the previous year, resulting in a further negative impact on the cash flow from financing activities. The issue of a promissory note bond and an increase in bank liabilities were not enough to compensate for the above-mentioned effects during the year under review.

At EUR -22.5 million, the free cash flow (the sum of the cash flow from operating activities and the cash flow from investment activities) for fiscal year 2015 was considerably lower than the EUR 248.7 million achieved the previous year.

## INVESTMENTS

in million EUR	2015	2014
Intangible assets	17.1	32.8
Property, plant and equipment	291.2	226.3
<b>Total investments</b>	<b>308.3</b>	<b>259.1</b>

### Investments

The Group's investment activity (additions to the intangible assets and property, plant and equipment, excluding assets acquired through business combinations) amounted to EUR 308.3 million during the year under review, of which EUR 17.1 million was invested in intangible assets and EUR 291.2 million in property, plant and equipment. In comparison to the previous year, this corresponds to an increase in investment by EUR 49.2 million.

The largest share of investments in property, plant and equipment, was in gaming devices, manufactured mostly in-house, with investments of EUR 172.0 million. Investments in intangible assets made during 2015 related mainly to investments in software and other intangible assets.

## Selected Group Key Figures

	2015	2014
Equity capital ratio (equity capital/balance sheet total)	40.9 %	44.6 %
Return on equity (parent company shareholder result/equity capital)	17.7 %	23.2 %
Return on assets (annual profit + interest cost)/balance sheet total	8.4 %	12.0 %
Working capital (current assets - current liabilities) in million EUR	636.3	483.8
Net debt (non-current financial liabilities + current financial liabilities - cash and cash equivalents) in million EUR	495.2	279.4
Net debt to EBITDA (net debt/EBITDA)	0.8	0.4
Interest coverage ratio (EBIT/interest expense)	10.1	9.5
Asset coverage (equity capital/non-current assets)	68.1 %	79.4 %

## 4. Segment Analysis

### Segment Reporting Contents

NOVOMATIC's segment reporting follows the Group's dual market strategy.

The Gaming Technology segment includes the business areas related to the production and sale of gaming equipment. It also includes the sales channel "Online" insofar as it refers to the B2B segment.

The Gaming Operations segment encompasses the area of "Gaming Operations" including "Betting" as well as the sales channel "Online" insofar as it refers to the B2C segment.

The Other segment includes all activities not included in the Group's core business areas. This segment mainly includes the I-New Group, as well as smaller holding companies.

### Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 860.3 million in the year under review, representing a significant increase compared to the previous year (EUR 805.2 million).

#### Online and Mobile Gaming (B2B)

The Greentube Group, which is a part of the NOVOMATIC Group, is an internationally leading content provider of online games. Greentube offers these games to licensed operators of gaming websites, with both a fun and a cash mode. During fiscal year 2015, revenues of the companies falling into the Greentube Group's B2B segment remained at the previous year's level. The online gaming market is dominated by a small number of large companies. The higher competitive pressure within the industry results in continuously slowing growth rates, while at the same time higher marketing expenses (costs per acquisition), an increased tax burden and higher structure costs, weigh on profitability.

#### Germany

The First State Treaty amending the State Treaty on Gaming in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012, and since the belated inclusion of Schleswig-Holstein in 2013, it has applied to all German federal states. For its

implementation, a transitional period of five years was granted. The legislators' intention regarding commercial gaming is centered mainly on a reduction of the offering of gaming possibilities and strengthening player protection. This is to be achieved mainly through the establishment of distance regulations for slot arcades, as well as a prohibition of multiple concessions (i.e. limitation to a maximum of twelve gaming devices per location). While the GlüÄndStV has been criticized by the EU Commission and serious constitutional concerns exist, no major corrections to its legal provisions have been implemented so far.

For supplementary provisions, the GlüÄndStV refers to the executive regulations of the individual states stipulated by state laws on gaming arcades. These individual state laws on gaming arcades vary considerably. In certain cases, there are important differences regarding limitations on opening hours, distance regulations, advertising bans and player identification requirements.

In November 2014, a stricter amendment to the Gaming Ordinance was passed. For its implementation, a transitional period of four years was granted. This amendment includes further regulation aimed at improving the protection of players and minors, as well as preventing tax evasion and money laundering.

The impact of the new regulations is currently not entirely foreseeable. It must, however, be assumed that the total number of gaming devices operated in Germany will decline considerably after the expiration of the transitional period in 2017 although a higher capacity utilization of devices should result in a certain offsetting effect.

The focus of the German Group companies in the Gaming Technology segment is on the area of gaming machine rental. In Germany, the NOVOMATIC Group has long held a share of more than 50 percent of the market for commercial gaming devices and in 2015 was able to successfully defend this market share. In light of the stricter regulatory framework, however, the number of rented gaming devices decreased during the reporting period. Nevertheless, the revenues of subsidiaries LÖWEN Entertainment GmbH and Crown Technologies GmbH came in almost exactly as the previous year's value with a total of EUR 342.0 million.

## Italy

With more than 400,000 operated gaming devices, Italy is Europe's largest gaming market. NOVOMATIC is one of very few foreign companies that have been successful not only in establishing a presence in this highly competitive market, but also in claiming a sustainable market share. Over the years, Italy has become one of NOVOMATIC's core markets.

The revenues of the Italian Group companies falling into the Gaming Technology segment once again increased during the year under review, reaching a level of EUR 137.9 million. Thanks to attractive products, the Group was able to win new customers during 2015. Subsequently, the number of rented gaming devices and, therefore, also the level of revenues increased significantly. The acquisition of Euromat S.r.l., which completed in January 2015, also contributed to this increase. The company's business focuses on the placement of gaming devices in bars in the economically strong region of Piedmont.

## Great Britain

The British gaming market is one of the largest and most developed markets in Europe. The United Kingdom was one of the first jurisdictions to regulate online gaming, thus allowing a market to open in this area.

The British market includes approximately 250,000 gaming devices, which are mostly located in pubs, licensed betting offices, gaming facilities and bingo centers. Due to the highly mature nature of the market, the potential for a further increase in the number of gaming devices operated is limited. The market is rather moving towards a state of consolidation. In particular in the pub sector, a massive trend of pubs having to close has been observable over the past 30 years. This has resulted in a lower number of gaming devices traditionally operated in pubs.

In September 2015, the NOVOMATIC Group acquired 100 percent of the shares of Ensco 962 Ltd., the mother company of the Playnation Group. The purchase price for this acquisition was EUR 32.6 million. Together with its subsidiaries, the acquired company is one of the United Kingdom's leading gaming companies. Playnation operates approximately 20,000 entertainment and gaming devices at more than 1,700 locations, mainly in amusement parks, motorway service facilities, bowling alleys, pubs and airports. The objective of this transaction is to further strengthen NOVOMATIC UK's market presence and to achieve synergies with other Group companies which are mainly active in the pub segment.

For NOVOMATIC, Great Britain is a market of the future that, despite the difficult market environment, offers immense opportunities for the company. During the year under review, the British Group companies falling into the Gaming Technology segment achieved revenues of EUR 106.7 million, which is a considerable increase against the previous year's figure.

### **Netherlands**

During fiscal years 2013 and 2014, NOVOMATIC was able to enter the Dutch gaming market through a series of acquisitions. The activities of the acquired companies mainly focus on the areas of development and sale of gaming products. The year 2015 was marked by a consolidation of the acquired companies and a realignment of the organization, with the objective of achieving significant synergies through a close cooperation among the Group companies. During the past fiscal year, an impairment test was carried out for the goodwill of EUR 7.1 million recorded in the CGU<sup>4</sup> Gaming Technology Netherlands in relation to the acquisitions. This calculation resulted in the requirement to completely write off this goodwill.

The revenues of the Dutch companies falling into the Gaming Technology segment increased to EUR 13.8 million during the reporting period.

### **Spain**

The Spanish gaming market is one of the largest gaming markets in Europe and therefore represents an important target market for the NOVOMATIC Group. With the purchase of GiGames S.L., as well as three further subsidiaries, a strategically important acquisition was achieved in December 2014. GiGames is Spain's third-largest production and sales company for gaming devices with a strong market position, particularly related to the placement of gaming devices in bars, which is one of the core segments of the Spanish gaming industry.

During the past fiscal year, the Spanish Group companies were able to increase their revenues significantly from the sale and rental of gaming devices. The revenues reached a total amount of EUR 36.8 million. A considerable portion of this increase was due to the acquisition of GiGames.

### **Central and Eastern Europe (CEE) and South Eastern Europe (SEE)**

A 15-year partnership entered into with Loteria Romana provides for NOVOMATIC to deliver up to 10,000 sophisticated video lottery terminals (VLTs), as well as the corresponding required video lottery system (including a jackpot system, service, spare parts, logistics, etc.) in Romania. By the end of 2015, NOVOMATIC had already put approximately 5,000 VLTs into operation.

In total, the companies falling into the Gaming Technology segment within the regions of CEE and SEE were able to achieve a positive business development during fiscal year 2015.

<sup>4)</sup> Cash generating unit as per IAS 36

## Rest of the World

During the past fiscal year, the revenues from the sale and rental of gaming devices achieved by the Group companies outside of Europe showed a stable development. While the number of gaming devices rented out increased slightly, the number of gaming devices sold was down by a small amount.

## Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,204.0 million in the year under review, representing a slight increase in comparison to the previous year (EUR 1,155.4 million).

### Online and Mobile Gaming (B2C)

The Greentube Group, which is part of the NOVOMATIC Group, holds an international portfolio of skill and chance games. These are available and offered with both a fun and a cash mode. The games, most of which have been developed in-house, work not only in a web browser but also on mobile devices, as well as interactive televisions. Expansion of the games to new media channels is becoming more and more important.

The companies of the Greentube Group with activities in the B2C segment posted mixed results during fiscal year 2015. While recent acquisitions resulted in revenue growth, the established companies suffered revenue losses. In particular, Funstage GmbH with its gaming platform Gametwist, which is part of the Social B2C segment, posted declining sales which were not fully compensated by an increase in the mobile app segment.

### Austria

On December 31, 2014, all gaming devices operated by the NOVOMATIC Group in Vienna were decommissioned due to a change in the state laws on gaming in the federal capital. The NOVOMATIC Group's companies with concessions in Vienna submitted an individual request to the Constitutional Court, in order to review the constitutionality of the new legal provisions regarding state-regulated gaming in Vienna. With its decision dated April 2, 2015, the Constitutional Court rejected this request and confirmed that the provisions of the Gaming Act are not unconstitutional.

In 2015, the end of state-regulated gaming in the federal capital resulted in a significant decline in machine revenues, accompanied by a sustained negative impact on the earnings situation of the Austrian operating companies. Despite the fact that ADMIRAL Casinos & Entertainment AG (ACE) has been able to obtain concessions for state-licensed machine gaming in the federal states of Lower Austria, Upper Austria, Burgenland, Carinthia and Styria during the past few years, the discontinuation of the Vienna market will continue to result in revenues below the level achieved in 2014. This applies to all Austrian operating companies within the Gaming Operations segment.

In June 2014, the Austrian Federal Ministry of Finance granted licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. Because of a complaint brought forward by a competitor, the individual licenses granted to ACE for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July 2015. Both NOVOMATIC and the Federal Ministry of Finance filed an appeal against the verdict and requested the administrative court to carry out an extraordinary audit. At the time of preparation of this management report, the decision by the Supreme Court was still pending.

## Germany

In Germany, the NOVOMATIC Group owns casinos as well as operating companies in the area of commercial machine gaming.

With the venerable Spielbank Berlin, NOVOMATIC operates one of Germany's gaming facilities with the highest revenues. Spielbank Berlin operates four further branches within the German capital. During the year under review, the casino was able to achieve a satisfactory revenue development.

The German operating companies Extra Games Entertainment GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH, ADMIRAL Play GmbH, as well as several smaller, recently acquired companies that operate in the market for commercial machine gaming, were able to achieve a very positive development. The revenues for the three established operating companies came in at EUR 213.2 million. In particular, Extra Games was able to slightly increase the number of locations operated and to grow its revenues significantly.

During the past years, legal provisions were enacted (the First State Treaty amending the State Treaty on Gaming in Germany (Glücksspielstaatsvertrag), related state laws on gaming arcades and amendments to the Gaming Ordinance) which, after multi-year transitional periods, result in significantly stricter overall conditions for the industry. At this time, it is difficult to foresee the future legal interpretation of the new legal provisions, as well as the ultimately implemented administrative practices. The legal and business-related implications for the gaming facilities, however, remain highly uncertain - mainly because of the current ongoing complex and inconsistent political discussions.

During the year 2015, impairment tests were carried out, resulting in required impairment losses in the low single-digit millions for the three German operating companies with activities in the area of commercial machine gaming. The impairment relates to usage rights for electronic casinos (intangible assets) as well as property, plant and equipment (in particular properties and buildings, as well as fixtures, furniture and office equipment).

The impairment test was performed together with external service providers and its scope included all slot arcades run by the operating companies active in the area of commercial machine gaming. The main focus was on scenarios regarding site shutdowns and the withdrawal of concessions. The investigation of the impact on the gaming facilities was carried out under the assumption of more restrictive legal interpretations.

## Italy

All gaming operators active in Italy, among them NOVOMATIC, are affected by the repeated and significant increases in gaming-related taxes over the past years. As of January 2015, the taxes on AWP gaming devices once again increased. In addition to this, the "Legge di Stabilità" was passed at the end of December 2014. This budget law provides for the levying of an additional amount of EUR 500 million. The total amount was split between all networked gaming devices, resulting in an annual amount of approximately EUR 1,200 per device. Apart from the national laws, the gaming market is also negatively impacted by local regulations which – depending on the region – may prescribe shorter hours of operation or a minimum distance to public institutions.

In addition to this, the economic environment in Italy, which has been strongly affected by the economic downturn of the past few years, has resulted in a reduced willingness to consume because of lower disposable incomes. Despite these unfavorable circumstances, the Italian gaming operators within the NOVOMATIC Group were able to increase their revenues significantly during the reporting period. This was in part due to new, attractive products. A consistent optimization of locations and the acquisition of further gaming facilities also had a favorable impact.



### Great Britain

With the acquisition of Luxury Leisure Unlimited and S.A.L. Leisure Limited in June 2014, NOVOMATIC succeeded in entering the British market for electronic casinos (adult gaming centers or AGCs). With their refined ambiance, the companies are among the best providers in the British AGC industry. The acquired companies operate more than 80 gaming facilities in England and Scotland and have approximately 850 employees.

With the acquisition of two further small gaming facilities towards the end of fiscal year 2015, NOVOMATIC UK was able to further enhance its market position. All in all, the Group companies active within the Gaming Operations segment were able to achieve a significant increase in revenues, posting a total of EUR 75.1 million.

### Netherlands

Since its market entry in 2013, NOVOMATIC has been one of the most important operators of gaming devices in the Dutch single site market (i.e. the operation of gaming devices at third-party locations). During fiscal year 2014, the NOVOMATIC Group was able to enter the Dutch gaming arcade market. The Dutch market for commercial machine gaming presents a challenging environment. The area of gaming arcades is dominated by a small number of large companies that continue to either acquire smaller competitors or push them out of the market. Due to the maturity of the market, the possibilities for organic growth are limited. At the same time, the single site market has been following a downward trend during the past few years. In this environment, the Dutch Group companies within the Gaming Operations segment were able to achieve revenues of EUR 62.2 million in fiscal year 2015.

### Central and Eastern Europe (CEE) and South Eastern Europe (SEE)

The companies falling into the Gaming Operations segment in the regions of CEE and SEE were able to achieve a very satisfactory business development during fiscal year 2015. Not only did the total number of locations increase, but the number of gaming devices operated also increased.

During the year under review, the Croatian Group companies falling into the Gaming Operations segment once again, significantly increased the number of facilities operated, as well as their revenues, both through organic growth and the acquisition of a smaller company.

The Macedonian gaming operations also achieved a positive development. While Casino FlaminGo, a casino acquired in 2013, which includes approximately 470 gaming machines and 30 gaming tables as well as an integrated five-star hotel, posted almost unchanged revenues, the operating companies within the NOVOMATIC Group once more increased the number of gaming locations in Macedonia against the previous year and grew their revenues significantly.

In Latvia, NOVOMATIC's most important market within the CEE region, the two subsidiaries, Admiral Klubs SIA and Alfor SIA, with a total of 126 gaming facilities, defended their strong market position. The development of revenues in Latvia was very positive, posting an increase to EUR 87.0 million.

### Rest of the World

The Peruvian gaming market is experiencing strong competitive pressure. Many competitors are investing in modern gaming devices, player loyalty programs and player tracking systems. These investments are increasingly affecting the profitability of the gaming operations.

The number of gaming facilities operated by NOVOMATIC in Peru remained stable during the reporting period. Despite the difficult market environment, revenues improved slightly against the previous year.

## Other

The external revenues in the segment 'Other' amounted to EUR 22.0 million in the year under review, representing a significant increase compared to the previous year's level of EUR 17.1 million.

### I-New Group

I-New Unified Mobile Solutions AG (I-New), headquartered in Mattersburg, is one of the leading global technology providers for mobile virtual network operators (MVNO). The company's technology is now in use on almost all continents.

Over the past few years, I-New has benefited in particular from the dynamic development in Latin America and is now well-established with its MVNO solution. With renowned customers such as Virgin Mobile and Falabella (the largest retailer in Latin America), successful projects have been carried out in markets such as Chile, Colombia and Mexico.

During the past fiscal year, revenues increased significantly, mainly due to investments made during the previous years and the resulting service fee income, in particular in Latin America. With another won project – an MVNA platform in Peru – the company was able to expand its market-leading position with Virgin Mobile. In 2015, approximately 79 percent of the revenues were achieved outside of the European Union, while the value is mostly created in Austria.

## 5. Individual Financial Statement of NOVOMATIC AG (Condensed Version in Accordance with the Austrian Uniform Commercial Code (UGB))

The following includes a discussion of the development of NOVOMATIC AG as a supplement to the reporting on the NOVOMATIC Group.

The annual financial statement (individual financial statement) of NOVOMATIC AG is prepared according to the accounting and valuation principles of the Austrian UGB (Uniform Commercial Code). According to these regulations, the affiliated companies are identified as part of the financial assets. As such, the individual financial statement only provides an outtake of the economic situation of NOVOMATIC AG and its affiliated companies.

NOVOMATIC AG is the holding company of the NOVOMATIC Group, which performs the financing and controlling function for the Group. In addition to this role, NOVOMATIC AG is also the owner of the majority of the NOVOMATIC Group's intellectual property rights as well as of a significant share of the Group's property portfolio in Austria.

During the reporting period, NOVOMATIC AG had no subsidiaries registered in the commercial register.

### Earnings Position

During the past fiscal year, NOVOMATIC AG's sales amounted to EUR 74.2 million, remaining almost unchanged against the previous year.

Personnel expenses decreased against the previous year's level to EUR 12.8 million. This was mainly due to one-time effects related to the remuneration of NOVOMATIC AG's governance bodies.

The other operating expenses increased significantly over the previous year's level, rising to a total of EUR 81.1 million. The cause for this increase was almost exclusively a significant rise in the expenses for development work.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined to EUR -15.3 million due to significantly higher development expenses.

Depreciations were up slightly during fiscal year 2015, rising by approximately EUR 2.1 million to a total of EUR 31.3 million, mainly because of an impairment loss on property, plant and equipment.

The financial result increased significantly against the previous year by EUR 54.7 million to EUR 79.7 million, which was essentially due to substantially higher income from shareholdings.

### Financial Key Figures NOVOMATIC AG

in million EUR	2015	2014	Change
Sales	74.2	74.0	0.2
Personnel expenses	-12.8	-17.4	4.7
Depreciation and amortizations	-31.3	-29.2	-2.1
Other operating expenses	-81.1	-46.3	-34.8
EBITDA	-15.3	20.5	-35.8
Financial result	79.7	25.0	54.7
Net income for the year	40.6	20.2	20.4

After the addition of income taxes amounting to EUR 7.5 million, taking the Group taxation into consideration, the annual profit was EUR 40.6 million compared to EUR 20.2 million in 2014.

### Assets Position

Fixed assets increased by EUR 159.7 million against the previous year to a total of EUR 1,219.1 million. This increase was exclusively attributable to the item shares in affiliated companies within the financial assets.

Compared to the previous year, current assets dropped by EUR 82.7 million to EUR 221.5 million, which was mainly caused by lower bank deposits due to the repayment of the bond due in January 2015.

The company's share capital remained unchanged at EUR 26.0 million. With capital reserves of EUR 1.0 million, retained earnings of EUR 1.6 million and a balance sheet profit of EUR 151.9 million being taken into consideration, equity capital declined to a total of EUR 180.5 million. Equity capital's share of total capital now amounts to 12.4 percent, compared to 21.2 percent in the previous year.

While provisions were slightly down, liabilities increased from EUR 1,067.5 million to EUR 1,258.1 million. The repayment of the bond lowered the liabilities from bonds from EUR 800.0 million to EUR 600.0 million. Conversely, bank liabilities increased by EUR 353.6 million to EUR 435.7 million.

During the past fiscal year, NOVOMATIC AG's balance sheet total increased by 5.5 percent to EUR 1,453.1 million.

## 6. Non-Financial Performance Indicators

### Employee Issues

During the reporting year 2015, the number of employees in the NOVOMATIC AG Group increased by 10.4 percent to 20,188 employees (headcount as of the balance sheet date, December 31, 2015). This increase reflects the continuation of the Group's growth trajectory.

As a company with a strong international orientation, NOVOMATIC accords considerable importance to diversity in the structure of its employees. The high number of female employees at all levels of hierarchy reflects this. In Austria, for example, women made up 37.6 percent of the total workforce. The age structure is well-balanced and all age groups are well represented. The average age at the Austrian companies is 37.5 years. The considerable number of employees of different nationalities reflects the active diversity management within the Group: in Austria alone, people are employed from 78 different countries.

Employee needs are of particular importance to the NOVOMATIC Group. During the year 2015, an employee satisfaction survey was initiated in Austria, aiming at improving working conditions and providing employees with an opportunity to actively participate in shaping their working environment. Thanks to a high response rate, meaningful results were achieved. The core result of this survey was that the overall satisfaction of NOVOMATIC employees can be categorized as very high. In addition to this, the analysis shows a high degree of identification with the employer.

The issue of health has a high priority at NOVOMATIC. In June 2015, for example, a health day was organized that resulted in very positive feedback. NOVOMATIC AG and Austrian Gaming Industries GmbH were furthermore awarded the basic certificate on job and family. Making the family-friendly nature of the business highly visible offers an important resource in purposefully supporting employees and furthering their personal development. The award of the basic certificate regarding job and family underscores the company's plan to enhance internal communication regarding existing activities and further expanding these efforts.

The optimization of apprenticeship training was once again a key issue for NOVOMATIC during 2015. In order to guide apprentices during their entire apprenticeship time, regular reports, as well as feedback conversations with the instructors, have been introduced. In addition, there is rotational feedback when apprentices switch from one department to the next, as well as a future-oriented career conversation upon completion of the apprenticeship. Furthermore, NOVOMATIC continues to promote a program offering an apprenticeship together with a Matura, allowing apprentices to keep the doors open for a further academic career.

Equal opportunities are of utmost priority at NOVOMATIC. Because of this, the company undertakes considerable effort to increase the share of women in technical areas or apprenticeships. For this, the company once again participated in the Girls' Day, which offers young girls insights into technical professions and encourages them to choose related careers.

The target group of young academics is also addressed directly at various recruitment fairs at technical colleges and universities. Trainee programs offer these young professionals an ideal entry into working life. Future executives are offered the opportunity to create networks within the Group and to obtain a better understanding of processes within the individual companies through deployment in Group companies abroad, as well as in different specialist areas within the company.

NOVOMATIC places great importance on employing an appreciative and respectful approach in dealing with applicants and thus potential future employees. The NOVOMATIC career portal ([careers.novomatic.com](http://careers.novomatic.com)) is being constantly optimized to offer potential candidates a full overview of career prospects within the NOVOMATIC Group. At the same time, it aims at to offer full support for in-house recruiting efforts. These continued efforts were acknowledged by an international study. In a survey analyzing the recruiting quality of the 500 largest employers in Austria, Germany and Switzerland, NOVOMATIC made it into the Top 10 of the Austrian industry ranking and was awarded the silver seal of approval for "Best Recruiter" for the second year in a row. This sincere and professional approach to dealing with candidates is also confirmed by how quickly open positions are filled.

## 7. Significant Events after the Balance Sheet Date

In the second half of 2015, NOVOMATIC entered into several purchase agreements on the acquisition of direct and indirect interests in Casinos Austria Aktiengesellschaft (CASAG). The total volume amounts to a share of approximately 39.5 percent in CASAG.

As required by antitrust laws, NOVOMATIC filed a notice of merger or acquisition of control with the Austrian Federal Competition Authority (BWB) in December 2015. The proposed merger was submitted for evaluation and includes the intended (direct or indirect) acquisition of more than 25 percent of the shares of CASAG, as well as more than 25 percent (indirectly) of the shares of Österreichischen Lotterien GmbH (Österreichische Lotterien).

CAME Holding GmbH, a company owned by the Sazka Group and co-owner of Medial Beteiligungs-Gesellschaft mbH (Medial), lodged a declaratory action against Medial and MTB Privatstiftung, both shareholders of CASAG, with the Commercial Court of Vienna. These actions have resulted in the BWB requesting an examination by the antitrust court in February 2016, as the BWB had reservations regarding the acquisition of CASAG shares by NOVOMATIC on formal grounds, based on the pending legal actions.

With the objective of avoiding a legal dispute in this matter, which might have lasted several years, to the benefit of CASAG and to eliminate the Federal Competition Authority's formal reservations, NOVOMATIC entered into a long-term strategic partnership with the Sazka Group in February 2016. Both the Sazka Group and NOVOMATIC will contribute their individual shares – already acquired or to be acquired – in CASAG and Österreichische Lotterien into a joint venture company, in which the two groups, acting as equal partners, will combine their existing know-how. The actions lodged with the Commercial Court of Vienna by representatives of the Sazka Group will be suspended.

This transaction requires comprehensive approvals according to public and company law (including antitrust laws), as well as approvals from various national and international licensing and regulatory authorities. Therefore, this transaction is not expected to complete before the end of 2016.

In February 2016, NOVOMATIC entered into a purchase agreement with Len Ainsworth regarding the acquisition of approximately 53 percent of the shares of Ainsworth Game Technology Ltd. (Ainsworth). Ainsworth is a publicly traded company listed in Australia and headquartered in Newington, Sydney. The company is one of the most renowned players within the international gaming industry. The company is a leading producer and provider of high-quality, innovative gaming solutions in Australasia, as well as North and South America. Due to extensive suspensive conditions, particularly the required approval by minority shareholders, as well as the required formal approvals by various international licensing and regulatory authorities, a legally binding conclusion of this transaction is not expected until the end of 2016. The agreed purchase price is AUD 473.3 million.

In April 2016, Gryphon Invest AG increased its interest in NOVOMATIC AG from 8 percent to 10 percent. In the context of this transaction, NOVOMATIC AG increased its share capital by EUR 0.6 million, while the tied up capital reserve increased by EUR 84.4 million.

## 8. Prospective Development of the Group

For the coming years, analysts at GBGC project a further increase of gaming expenditures. Due to improved international economic data and a stabilization of the situation in Macau, worldwide gaming expenditures are expected to grow at an average annual rate of 2.6 percent.

The NOVOMATIC Group plans to continue its successful growth strategy, aiming to achieve market-leading positions in large, regulated markets. In fiscal year 2016, a further increase in revenues is expected.

Due to the discontinuation of state-regulated gaming in Vienna and confirmation of this legal provision by the Constitutional Court in April 2015, a business restructuring was carried out for the Austrian Group companies within the Gaming Operations segment. A further change to the legal framework relates to the state-regulated legislation on sports betting, which mainly aims at preventing illegal betting and establishing a stricter protection of minors and players. Related draft laws prepared by individual Austrian state governments are either being appraised or have already passed and gone into effect. From today's perspective, it is not possible to clearly assess the impact of these legislative changes. The plan in Austria is to optimize individual locations in the context of prevailing market conditions and to complete the rollout of 337 gaming devices in Styria (based on legally binding licenses for state-licensed gaming granted under the Styrian Gaming Machine Act (Glücksspielautomaten- und Spielapparategesetz)) in 2016.

In Germany, a declining market volume is expected for 2016. Altered regulatory conditions will most likely result in a lower willingness to invest within the German gaming industry. In light of these developments, the producing German Group companies are expected to post a decline in revenues. The German Group companies falling into the Gaming Operations segment will, however, increase their revenues through acquisitions completed in 2015.

In the core market of Italy, a further increase in gaming-related taxes as of January 2016 was decided. This will result in an additional negative impact on the results in the low double-digit millions. Based on the fact that numerous concessions should be awarded during 2016 (including for bingo, online gaming, betting and lottery offerings), as well as the market for AWP gaming devices undergoing a fundamental shift due to the legally required duty to ensure central networking (by the year 2019), this market continues to offer potential for NOVOMATIC. For fiscal year 2016, rising revenues are expected for both the Gaming Technology segment and the Gaming Operations segment. Organic growth through established companies, acquisitions completed during the past fiscal year and the acquisition in January 2016 of Electro System S.p.A., a manufacturer of AWP gaming devices and electronic components, will also contribute to a significant increase in revenue.

In the large European gaming markets of the United Kingdom and Spain, a significant revenue increase is forecast, due to recently completed acquisitions. In both markets, this increase is mainly due to developments within the Gaming Technology segment.

In the regions of Central and Eastern Europe (CEE) and South Eastern Europe (SEE), rising revenues are expected. Countries such as Romania, Croatia and Latvia, which offer stable gaming markets, contribute significantly to this positive development. Meanwhile, amendments to the gaming law in Albania will result in a discontinuation of the operation of electronic casinos by the end of the year 2016. Declining revenues are considered likely, including prior to the effective date of these provisions.

For the Group companies located in North America and the Latin American countries, a stable revenue development is expected for the fiscal year 2016. This is, however, strongly dependent on the further economic development of the emerging countries in this region.

For 2016, the NOVOMATIC Group companies active in the area of online gaming are likely to be confronted with an increasingly challenging market environment. Due to increasing competitive pressures, growth rates will decline noticeably while at the same time, higher marketing costs and rising taxes weigh on profitability.

## 9. Risk Management

Within the scope of its business, the NOVOMATIC Group is subject to a number of risks which inevitably arise in connection with entrepreneurial activities. Risk management, as it is understood and applied within the NOVOMATIC Group, aims at both securing the long-term existence of the company and increasing the value added. It, therefore, represents a major factor in the Group's success.

### Risk Management System

NOVOMATIC engages in extensive risk management that involves all the major Group companies. The risk management system aims at systematically identifying, evaluating, controlling, monitoring and documenting material risks and risks directly jeopardizing the company's existence in order to ensure achievement of the corporate objectives and to increase risk awareness within the Group.

All risks and opportunities, which are determined and analyzed systematically, are recorded within a professional, IT-based risk management system which ensures that risks, as well as the assigned management measures and control mechanisms are monitored on a permanent basis.

For continued monitoring of the risk and opportunity situation and to ensure active controlling, the risks and opportunities are assigned to the responsible individuals within the individual corporate areas and Group companies. It lies within the responsibilities of the risk officers to define and implement measures aimed at dealing with the individual risks and/or at seizing opportunities, to document emergent risks and opportunities, and to perform reassessments of the identified opportunities and risks at regular, defined intervals. Central risk management supports the individual areas in a consulting function and ensures the continuous updating and further development of the risk management system.

Central Group risk management, which is assigned to the internal audit department, monitors the implementation of the defined countermeasures and reports regularly to the Board of Directors regarding the current risk situation.

### Important Features of the Internal Control System Relevant to the Financial Reporting Process

The predominant objective of the accounting-related internal control system at NOVOMATIC is to ensure the correctness of financial reporting by verifying that the consolidated financial statements and the management report comply with all relevant regulations. As a guide for this process, the internal control system at NOVOMATIC relies on the comprehensive enterprise risk management approach developed by the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

#### Control Environment

NOVOMATIC AG's Executive Board is responsible for the establishment of an appropriate internal control and risk management system concerning the accounting process. In order to evaluate the appropriateness and effectiveness of this internal control system, the Executive Board has instructed the internal audit department to continuously analyze the main processes, respective related risks and existing control measures, reporting the results to the Executive Board.

In the area of Group accounting, the organizational structure consists of the local departments responsible for accounting within the individual Group companies, as well as NOVOMATIC AG's central accounting department. The Group companies prepare, complete and correct individual financial statement according to IFRS on the respective company level, based on the uniform Group-wide accounting and valuation principles.

The main tasks and responsibilities of the Group accounting department are the analysis of the reported Group company data, the performance of consolidation measures and the corresponding preparation of financial reports. It is this department that is also responsible for the preparation of the consolidated financial statements.

### **Risk Assessment**

To avoid material misstatements in the presentation of transactions, multilevel quality assurance measures have been implemented with the objective of ensuring that individual financial statement according to IFRS are recorded correctly for the purpose of consolidation. These measures include automated controls within the consolidation software as well as manual controls performed by employees of the subsidiaries, as well as by employees of the Group accounting department.

Based on the financial statements for the individual Group companies, Group accounting performs comprehensive plausibility and data quality checks on several levels. This aims at ensuring that the data reflecting the Group companies' transactions is properly recorded for the purpose of consolidation or preparation of the consolidated financial statements.

In addition to this, Group accounting enlists the support of external service providers for certain issues that require specialist knowledge, such as the evaluation of pension obligations and severance payments.

### **Control Activities**

The Group's unified accounting and measurement methods are summarized in the Group manual. Amendments to the IFRS are continuously monitored by Group accounting and included in the Group manual on an annual basis. This update is followed by the publication of the manual's current annual version.

The Group companies prepare the individual financial statement mainly using Microsoft Dynamics NAV. Further ERP systems currently in use include proAlpha and SAP. The data is transmitted electronically in a standardized format and imported into the consolidation software (IDL Konsis) by Group accounting. For the accounting-related IT systems, access privileges have been defined to ensure that sensitive data is protected from unauthorized access, use and modification.

### **Information and Communication**

The Executive Board keeps abreast of relevant developments at the Group companies through regular reports prepared by the Group financial department. This includes, above all, the development of current earnings as well as any detected major deviations from the approved annual budget, calculation of the Group cash flow, as well as calculation of the result and value-oriented key figures.

The Board itself informs the Supervisory Board on a quarterly basis regarding the development of the corporate Group as a whole as well as the development of the individual business areas.



## Monitoring

Monitoring of compliance with ongoing accounting processes (with the exception of the annual financial statement's preparation) is done by the Group's auditing department, which reports directly to the Board. The Group's auditing department has documented all financial reporting processes as part of the internal control system and has monitored compliance with the defined controls at regular intervals.

As per the Austrian Company Law Amendment Act (URÄG) of 2008, the Supervisory Board is also included in the control system via the auditing committee. The auditing committee's main responsibilities include monitoring the accounting process, monitoring the internal control and risk management system, monitoring the audit of the consolidated financial statements and critically appraising the audited consolidated financial statements, as well as the Group management report.

## Compliance

In addition to the types of risk described, there are also threats related to the reputation and the competitiveness of the company as a whole. As one of the basic principles of entrepreneurial activities, NOVOMATIC pays particular attention to compliance with statutory and ethical regulations.

The term "compliance" is used to describe all measures with which the company ensures that laws, regulations and voluntary codes are adhered to. NOVOMATIC's compliance activities focus mainly on measures aimed at ensuring that national and international law on the prevention of criminal acts, market abuse, money laundering and misuse of data are adhered to.

The Group's compliance system is based on NOVOMATIC's Code of Conduct, a set of guidelines that is binding for all employees and all business areas. In the Code of Conduct, employees find guidelines and principles for values-based and lawful behavior during day-to-day business activities. This Code of Conduct also provides the basis for training activities related to integrity and compliance. Depending on the risk and the target group, training sessions requiring personal attendance, as well as web-based training events, are held. An e-learning tool allows a large number of employees to be educated on issues such as data protection, property rights violations and the fight against corruption.

The Code of Conduct provides the foundation for the Group-wide organization of compliance activities. Throughout the entire Group, there are designated contact persons for questions regarding the issues mentioned within the Code of Conduct. In addition to the compliance manager at NOVOMATIC AG, there are local compliance officers at the Group companies who continuously report to the Group and thereby ensure that ethical and rule-abiding behavior is sustainably anchored throughout the entire company.

## Significant Risks and Uncertainties

The following is a detailed description of the risks and uncertainties that can have a major influence on the asset, financial and earnings position as well as the reputation of the NOVOMATIC Group.

### Business and Market Risks

**The NOVOMATIC Group's business is dependent on general economic conditions.**

There is a risk that a deterioration of general economic conditions, increasing unemployment, declining real incomes and increased volatility in the capital markets, could have a significant negative impact on the asset, financial and earnings positions of the NOVOMATIC Group.

**Expansion into new markets or product and/or service areas may be unsuccessful and the success of the strategy pursued by the NOVOMATIC Group is uncertain.**

A central element of the NOVOMATIC Group's growth strategy is the geographic diversification of its business by entering markets that offer opportunities for growth. There is a risk that in the future, for various reasons including legal conditions, NOVOMATIC may not or may only to a limited extent be able to pursue this course of expansion, or may not be able to expand its product and/or service offerings.

**The NOVOMATIC Group is subject to risks related to completed, ongoing and future acquisitions, joint ventures and investments.**

It is possible that not all major risks related to acquisitions (this also includes risks connected to the transactions related to Casinos Austria AG and its subsidiaries), joint ventures and investments, are identified, which may have a substantial negative impact on the asset, financial and earnings positions of the NOVOMATIC Group.

**The NOVOMATIC Group's success as a business depends on its management and key employees.**

NOVOMATIC's business success comes thanks to the existing knowledge and expertise of its management and employees. Should one or several individuals in key positions leave the company, there is a risk that NOVOMATIC might not be able to recruit qualified individuals with comparable know-how within in time to deal with emerging challenges.

**The NOVOMATIC Group is dependent on technology systems and relies on technologies and sophisticated information technology systems that could be subject to malfunctions, disruptions or illegal attacks and fraudulent activity.**

NOVOMATIC operates in a highly technology-dependent field of business where new technologies are developed or used within short innovation cycles. There is a risk that NOVOMATIC may not recognize innovative technologies and developments at a sufficiently early stage.

The integrity, reliability and operative performance of the NOVOMATIC Group's IT systems are essential to the business. These IT systems may be damaged or interrupted due to increased load, human error or natural catastrophes. Illegal attacks or fraudulent manipulation could also damage or disrupt the IT systems. Any damage to the IT systems could result in widespread business problems and force NOVOMATIC to deploy considerable financial means to remedy such problems.

**Risks related to pathological gaming behavior and lawsuits brought forward by players.**

In the context of its operating activities, the NOVOMATIC Group could be subject to legal proceedings demanding the refund of gaming and betting stakes, for example in connection with pathological gaming behavior, particularly if this results in the player's legal incapacity. In addition to this, NOVOMATIC could be subject to legal claims such as for damages stemming from the conclusion of gaming and betting contracts.

**The NOVOMATIC Group could suffer losses due to technical errors, illegal attacks or fraudulent manipulation.**

The NOVOMATIC Group's business success is strongly dependent upon the ability to discover and prevent fraudulent manipulation (including betting manipulation) or illegal attacks on products and/or services. Should one of the NOVOMATIC Group's products and/or services be subject to technical errors, fraudulent activity or illegal attacks, it could negatively impact NOVOMATIC's reputation. This could result in NOVOMATIC incurring losses or being subject to damage claims – or even the revocation of licenses by the responsible authorities. Claims for damages due to technical, organizational or program-related errors are partially insured against.

Technical glitches, illegal attacks or fraudulent activity could seriously impair the NOVOMATIC Group's ability to manufacture or provide its products and/or services. If NOVOMATIC were to be unable to achieve its production targets or supply products to customers because of such interferences, this would have a strongly negative impact on the company's reputation and sales revenues.

NOVOMATIC is also subject to the risk of a temporary or permanent interruption of operations due to internal manipulation. Inappropriate behavior could force NOVOMATIC to temporarily or permanently shut down certain business areas or business locations on account of official orders.

**The NOVOMATIC Group is subject to the risk of losing its image.**

The image of the NOVOMATIC Group and its brands is strongly influenced by their business partners and by media coverage of the gaming industry. Inappropriate behavior by business partners or negative coverage in the media could result in damage to its image and, consequently, in the loss of financing by banks or the withdrawal of licenses.

**Risks due to product liability or product defects.**

The NOVOMATIC Group could be held liable for damages caused by defective products due to applicable product liability provisions. There is also a risk that third parties could bring forward claims against NOVOMATIC AG or one of its affiliated companies due to unexpected product defects. This risk has been largely insured against.

If defective products are not replaced (at all or in a timely fashion), this may also result in revenue losses for the NOVOMATIC Group.

**The NOVOMATIC Group's production activities depend on the availability of high-quality raw materials and semi-finished products provided by a limited number of suppliers.**

The NOVOMATIC Group's production relies on the availability of high-quality raw materials and semi-finished products. Inventory shortages or increased demand could result in an increase in raw material costs, as well as in production problems or interruptions and hence in delivery problems for the NOVOMATIC Group.

In addition to this, the NOVOMATIC Group sources a considerable amount of raw materials and semi-finished products from a limited number of external suppliers. Should one of these suppliers be unable to supply its goods (at all or in a timely fashion), NOVOMATIC would be forced to search for more expensive alternatives. This could also result in a considerable impairment of NOVOMATIC's production capabilities.

**The NOVOMATIC Group is subject to the risk of a temporary or permanent disruption of production or operations due to external events.**

Some of the NOVOMATIC Group's companies are located in parts of the world where the weather conditions are extreme, are subject to an elevated risk of natural catastrophes, or where terrorist attacks may occur. These factors could result in the temporary or permanent interruption of NOVOMATIC's business activities. The NOVOMATIC Group cannot guarantee it will be able to insure itself against such risks.

For reasons of efficiency, the NOVOMATIC Group has concentrated a considerable share of its production in a few manufacturing locations. Production at these manufacturing locations is subject to numerous operative risks, including machine failure, labor shortages, accidents, natural catastrophes and power outages. The occurrence of such risks could negatively impact NOVOMATIC's business activities and result in financial losses as well as legal liabilities.

**The NOVOMATIC Group is not insured against all risks and its insurance policies may not be sufficient to cover certain losses.**

NOVOMATIC's operating activities are subject to complex operative risks such as climatic conditions, political unrest, terrorist or similar activities, as well as other events or accidents at the Group's production facilities. Such risks could result in damage to NOVOMATIC's production facilities, personal injury, death, environmental damage, business interruptions and possible liabilities. NOVOMATIC is not insured against all of the risks mentioned above. It also cannot be guaranteed that any payments from existing insurance contracts will be sufficient to cover all possible damages.

**The security mechanisms of the NOVOMATIC organization could fail.**

There is a risk that security mechanisms established by the NOVOMATIC organization (in particular related to the compliance system and the internal control system) could fail, either in parts or completely. In consequence, this could result in the violation of national and international laws on the prevention of criminal acts, market abuse, money laundering, corruption and misuse of data. The occurrence of such risks could negatively impact NOVOMATIC's reputation and result in economic losses, legal liabilities and the loss of licenses.

**Risks related to changes in customer behavior.**

Diverse recreational and entertainment options entail constantly changing customer behavior. To maintain NOVOMATIC's market position in its target markets, product and/or service adjustments, as well as continuous innovation, is required. There is a risk that customer or consumer desires may be recognized not at all or only when it is too late. In addition to this, a further intensification of the trend towards online gaming could result in a decline in the number of visitors to the Group's terrestrial gaming facilities.

**The NOVOMATIC Group is subject to competitive risks.**

Some of NOVOMATIC's competitors have extensive financial, technical and other resources at their disposal. There is a risk that the number of competitors – in particular, the number of companies providing online gaming and betting services – will continue to increase. In addition to this, there is the risk that competition in currently profitable markets may grow more challenging should NOVOMATIC be unable to offer innovative and competitive products and/or services, or should the company not receive the required gaming licenses.

**The NOVOMATIC Group is dependent on certain markets.**

NOVOMATIC generates the majority of its revenues in a limited number of markets. As these are relatively well-developed markets, further growth opportunities are rather limited. NOVOMATIC plans to expand its business activities in other markets, an effort for which considerable resources are being deployed. There is a risk that the anticipated growth in these countries and regions will not be realized, and/or that the NOVOMATIC Group will not be successful in implementing its strategies there.

**Legal and Geographic Risks****The NOVOMATIC Group's international business entails economic, political, legal and other risks.**

The NOVOMATIC Group conducts business in more than 80 countries. Some of these countries are politically or economically unstable which subjects NOVOMATIC to certain risks. Social unrest or strikes could force NOVOMATIC to interrupt or halt its business activities.

The gaming industry is subject to particularly frequent and sudden legal amendments that can make business significantly more difficult or prohibit it entirely. Insufficient legal or administrative conditions in some countries can furthermore provide insufficient protection for the NOVOMATIC Group's intellectual property or other rights. In some of these countries, crime and corruption are widespread, which could have a negative impact on the NOVOMATIC Group's business.

**Risks due to possible changes in gaming laws or taxation policy in the countries in which the NOVOMATIC Group does business.**

The NOVOMATIC Group operates on the basis of currently prevailing political, economic, legal and fiscal conditions. NOVOMATIC is subject to the risk of changes to legal and taxation-related conditions. Changes that have already been adopted, in particular in connection with the German State Treaty on Gaming, the German Gaming Ordinance, the Austrian Gaming Act or the discontinuation of state-regulated gaming in Vienna, changes in administrative practices or even the possible additional prohibition of gaming machines or other restrictions in other jurisdictions, also have a sustained impact on NOVOMATIC's business activities. On the international level, for example, the increase in gaming taxes in Italy constitutes a risk to the NOVOMATIC Group. Finally, it cannot be ruled out that betting laws in certain jurisdictions may be tightened for the purpose of player protection.

**Risks due to the dependence on national licenses, regulations on competition and statutory provisions regarding the operation of gaming and betting facilities as well as risks due to the dependence on production, sales and product licenses.**

In the countries where NOVOMATIC does business, the operation of gaming and betting facilities requires a license, concession or other type of permission from the authorities in charge. Such licenses/concessions are usually granted for a limited period of time or in the form of license agreements with limited duration. Should no option for prolongation be provided or if an extension were only possible under economically unacceptable or untenable conditions or requirements, NOVOMATIC would need to participate in new tender procedures in order to recover such a license/concession.

Within the core market of Austria, NOVOMATIC is applying and has applied for concessions required to operate casinos and electronic casinos. NOVOMATIC cannot guarantee that its participation in such procedures for the award of concessions will be successful or that the award of a concession will not be subsequently contested.

In the countries where NOVOMATIC does business, a permit by a state gaming authority is frequently required in order to be able to sell gaming devices and other gaming products and services. Both manufacturing and sales licenses are generally granted for a limited period of time and are subject to an audit plus subsequent certification by the competent inspecting authorities. Once licenses have been granted, they are usually extended automatically, provided that all license requirements are met. The possibility cannot be excluded that, despite the utmost care, legal provisions, regulatory requirements, technical standards or licensing conditions may not be complied with within the NOVOMATIC Group, which could result in the partial or complete withdrawal of a license, the determination of breaches of competition laws, or other types of damage to the NOVOMATIC Group's asset, financial and earnings positions or reputation.

**Risks related to legal proceedings and arbitration proceedings.**

During the course of its business activities, the NOVOMATIC Group is involved in legal disputes or administrative proceedings or is threatened by legal disputes or administrative proceedings resulting from the Group's regular business activities.

**Risks due to the possible tightening of regulatory measures.**

Gaming, and in particular online gaming, is currently not harmonized on the EU level. The individual legal frameworks of the EU member states are, in some cases, disputed among gaming law experts. There is a risk that, in the future, limitations with regard to gaming and betting could be implemented on a national level. In addition to this, regulatory measures such as access restrictions, stricter player protection measures, provisions for the protection of non-smokers, technical requirements, advertising bans or location requirements, could be introduced. Such measures could result in a decline in the number of visitors and the revenues earned.

**Evolving legal systems and tax structures, in particular in the Central, Eastern and South Eastern European countries as well as in Latin America, could have a considerable detrimental impact on the NOVOMATIC Group.**

Legal systems, in particular in the Central, Eastern and South Eastern European countries as well as in Latin America have been subject to a profound transformation over the past few years. In some of these states, the legal order and legal systems are still at an early stage of development, resulting in the inconsistent application and interpretation of legal norms. These countries therefore still lack the experience, precedent-setting cases and/or other suitable interpretation substitutes by which practitioners are bound and guided.

In particular, NOVOMATIC is subject to a high number of taxation standards that, in some cases, have only been in effect for a short period of time. This frequently makes the administrative practice by which they will be implemented impossible to forecast. Taxpayers such as NOVOMATIC regularly need to turn to the courts for help in order to defend their position against the tax authorities. Therefore, there is a risk that NOVOMATIC might become subject to unpredictable and burdensome taxation.

**The NOVOMATIC Group is subject to risks related to intellectual property.**

The NOVOMATIC Group develops, produces and sells sophisticated technological gaming equipment and systems that are to a large extent protected by industrial property rights such as trademark protection rights, patent rights and rights for the protection of registered designs, as well as copyright. There is a risk of third parties violating industrial property rights or copyrights belonging to the NOVOMATIC Group, as well as of NOVOMATIC violating the industrial property rights or copyrights of third parties. In particular, there is a risk that developments owned by NOVOMATIC might be copied and illegally used or introduced onto the market by third parties.

NOVOMATIC is also subject to the risk that third-party components included in its own products might violate certain intellectual property rights. In such cases, NOVOMATIC could be obligated to either not use said intellectual property rights or to pay considerable licensing fees to third parties. NOVOMATIC is also subject to the risk that third parties might acquire patents or other intellectual property in order to initiate actions for damages, etc.

The gaming industry is characterized by rapid technological development, which forces the NOVOMATIC Group to continuously develop new products and enter new markets. The NOVOMATIC Group's success therefore depends on its ability to continuously enhance the development of its products and systems in order to integrate new technologies and expand into new markets created by new technologies. Should certain technologies be protected by intellectual property rights held by third-parties, including by competitors, NOVOMATIC might not be able to offer certain products or expand into certain markets.

**The NOVOMATIC Group is subject to the risk of being unable to sufficiently protect its customers' data.**

The NOVOMATIC Group holds information about its customers which is in part sensitive (name, address, age, bank data and gaming tendencies) and must follow the strict data protection rules stipulated by the EU and other jurisdictions. Despite the security systems implemented by NOVOMATIC, there is the risk that customer data could be retrieved and/or used illegally, either by employees or by customers or third parties. There is also the risk that customer data might be deleted, disclosed or edited involuntarily or in violation of data protection regulations. Should NOVOMATIC or one of its external service providers transmit customer data without sufficient protection, or should confidential customer data be lost in any other way, NOVOMATIC might be held liable under data protection laws, which would also damage the Group's reputation.

**Risks due to a tightening of international anti-money laundering provisions (Financial Action Task Force).**

In the countries where NOVOMATIC pursues business activities, the operation of gaming facilities such as casinos is subject to numerous and increasingly strict legal and regulatory provisions regarding money laundering. On an international level, organizations such as the Financial Action Task Force and the EU continuously adapt and tighten the regulations and standards related to anti-money laundering provisions. A further tightening of these standards and regulations could result in additional organizational measures as well as further financial expenses for NOVOMATIC's business operations.

**Risks due to audits by tax authorities.**

During the course of tax audit procedures carried out by the competent tax authorities, the NOVOMATIC Group could be obligated to pay additional taxes or charges. Should the total back-taxes or charges payable in arrears result in a substantial amount, this could have a negative impact on the NOVOMATIC Group's liquidity and earnings position.

## **Financial risks and usage of financial instruments**

The NOVOMATIC Group is subject to financial risks in the form of capital risks, financing risks, liquidity risks, counterparty risks, interest rate risks, currency risks and risks related to capital investments. In order to limit these risks, NOVOMATIC makes use of financial instruments when necessary.

Extensive descriptions of the individual risks, including the methods used to hedge the risks mentioned above, are laid out in the notes to the consolidated financial statements.

## 10. Research and Development

Thanks to its numerous technology centers, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. Prominent among these developed software system solutions are management information systems, ticketing and smart card systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service," online and mobile gaming system solutions, and jackpot systems, as well as multiplayer and community gaming systems, to name a few. Both modular software architecture and the various developments' interoperability are crucially important.

Development activities should be equally efficient for homogeneous markets and highly specialized niche markets. This is ensured by an open platform architecture and development teams that are specialized in individual market segments. The open platform infrastructure allows for the integration of third-party providers and their gaming applications to be able to satisfy market needs in a better and faster manner.

In developing the newest generation of cabinet variants and models, which kick off new industry trends, industrial design is an extremely important factor. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video lottery and AWP gaming markets with control possible via up to five monitors, skill-based roulette facilities with state-of-the-art ball release mechanisms, the use of state-of-the-art curved displays with a size of up to 65 inches to simulate special effects such as roller strip extensions and novel games, VIP terminals with giant screen technology, and dynamic lighting effects via LED technology. In terms of data security, increasing emphasis is being placed on proprietary physical random number generators that use quantum mechanics.

New categories of game features recently included in the portfolio are "Allpay", "ExtraBet", "Quattro", "Reel Refill", "Fixed Wilds", "Xtra Stax" and "WinWays", to name a few. Standalone progressive jackpots (referred to as "SAP Jackpots") further expand gaming offerings, as does a new Egyptian-themed jackpot named "Kingdom of Ra".

Development is supported by hardware and software development teams in Austria, Germany, Great Britain, Iceland, the Netherlands, Spain, Russia, Argentina, Canada and Poland, working either in-house or related to the Group, as well as by exclusive partnerships with developers in Slovenia, Greece, the USA and Australia.

The global importance of intellectual property protection is on the rise. With 3,660 registered IP trademarks and in excess of 100 registrations per year, this area is paid special attention. The Group is constantly developing new products and product variations, resulting in over 300 new gaming variants per year. With the help of software development kits (SDKs), it is possible to add games developed by third parties (who use these SDKs) to the portfolio immediately.

NOVOMATIC's innovative strength receives frequent public recognition in the form of awards.



## 11. Acknowledgements

We would like to thank all employees of the NOVOMATIC Group for their strong commitment, with which they have made a major contribution to the company's further development and success. We are especially indebted to the owner, Prof. Johann F. Graf, as well as to the Supervisory Board under the leadership of Senator Herbert Lugmayr – they have contributed significantly to the positive development of the NOVOMATIC Group. We would also like to acknowledge the positive relationships with our capital providers and business partners, relationships which have been characterized by a pleasant collaboration.

Gumpoldskirchen, April 19, 2016



**Harald Neumann**  
Chairman,  
Chief Executive Officer, CEO



**Ryszard Presch**  
Deputy Chairman,  
Chief Operating Officer, COO



**Thomas Graf**  
Chief Technology Officer, CTO



**Peter Stein**  
Chief Financial Officer, CFO



**Dr. Christian Widhalm**  
Chief Investment Officer, CIO

## Consolidated Balance Sheet as of 12/31/2015

EUR m	Notes	12/31/2015	12/31/2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	(1,2)	507.5	438.6 <sup>1</sup>
Property, plant and equipment	(1,2)	861.7	799.0
Investment property	(3)	18.7	18.8
Investments in associated companies	(4)	0.2	0.2
Financial assets	(5)	204.1	15.1
Deferred tax assets	(6)	94.3	96.5
Other non-current assets	(7)	111.3	111.1
		<b>1,797.8</b>	<b>1,479.4</b>
<b>Current assets</b>			
Inventories	(8)	191.9	179.4
Trade receivables, other receivables and assets	(9)	359.2	289.4 <sup>1</sup>
Current tax receivables	(6)	30.5	27.9
Current financial assets	(10)	32.3	29.0
Cash and cash equivalents	(11)	585.4	627.2
Assets held for sale	(12)	0.2	2.2
		<b>1,199.5</b>	<b>1,155.0</b>
<b>Total ASSETS</b>		<b>2,997.2</b>	<b>2,634.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	(13)	26.0	26.0
Capital reserves	(14)	1.0	1.0
Retained earnings	(15)	1,180.5	1,139.9 <sup>1</sup>
Revaluation reserve	(16)	-8.6	-9.4
Currency translation adjustment	(17)	-23.9	-30.9
		<b>1,175.1</b>	<b>1,126.5</b>
Non-controlling interests	(18)	49.9	47.8 <sup>1</sup>
		<b>1,224.9</b>	<b>1,174.3</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	(19)	1,043.7	636.5
Non-current provisions	(20)	52.1	53.3
Non-current tax liabilities	(6)	18.3	19.3
Deferred tax liabilities	(6)	70.4	58.6 <sup>1</sup>
Other non-current liabilities	(21)	24.8	21.2
		<b>1,209.2</b>	<b>788.9</b>
<b>Current liabilities</b>			
Current financial liabilities	(22)	36.9	270.1
Current provisions	(23)	48.1	42.9
Current tax liabilities	(6)	27.8	40.6
Trade payables and other liabilities	(24)	450.4	317.6
		<b>563.1</b>	<b>671.2</b>
<b>Total EQUITY AND LIABILITIES</b>		<b>2,997.2</b>	<b>2,634.4</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

## Consolidated Income Statement for Fiscal Year 2015

EUR m	Notes	01-12/2015	01-12/2014
<b>Revenues</b>	(25)	<b>2,086.3</b>	<b>1,977.6</b>
Changes in inventories of finished goods and work in progress	(26)	8.2	11.4
Own work capitalized	(26)	147.6	111.9
Other operating income	(27)	124.6	111.2
Cost of material and other purchased services	(28)	-282.8	-252.8
Personnel costs	(29)	-567.8	-512.4
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	(30)	-291.3	-284.1
Gaming taxes and betting fees	(31)	-191.4	-178.0
Other operating expenses	(32)	-707.9	-621.5
<b>Operating profit</b>		<b>325.4</b>	<b>363.3</b>
Share of profit/loss of associated companies	(33)	0.0	2.0
Interest income	(34)	8.4	8.1
Other financial income	(35)	24.4	46.1
Interest expenses	(36)	-32.1	-38.3
Other financial expenses	(37)	-13.4	-13.5
Currency exchange gains/losses from intra-group financing	(38)	5.8	0.6
<b>Financial result</b>		<b>-7.0</b>	<b>5.1</b>
<b>Earnings before taxes</b>		<b>318.5</b>	<b>368.4</b>
Income taxes	(39)	-97.8	-91.4
<b>Annual profit</b>		<b>220.7</b>	<b>276.9</b>
thereof attributable to non-controlling interests		4.5	5.0
thereof attributable to shareholders of the parent (net profit)		216.2	272.0

## Consolidated Statement of Comprehensive Income for Fiscal Year 2015

EUR m		01-12/2015	01-12/2014
<b>Annual profit</b>		<b>220.7</b>	<b>276.9</b>
<b>Amounts that will be reclassified to income statement in subsequent periods</b>			
Currency translation	(17,18)	7.0	1.8
Market value of financial assets available for sale	(16)	1.0	-11.6
Apportionable income tax		-0.2	2.7
<b>Amounts that will not be reclassified to income statement in subsequent periods</b>			
Revaluation of the net defined benefit liability	(15)	-0.8	-2.7
Apportionable income tax		0.2	0.7
<b>Other comprehensive income after taxes</b>		<b>7.2</b>	<b>-9.2</b>
<b>Total comprehensive income</b>		<b>227.9</b>	<b>267.8</b>
thereof attributable to non-controlling interests		4.4	5.3
thereof attributable to shareholders of the parent (net profit)		223.5	262.5

## Consolidated Cash Flow Statement for Fiscal Year 2015

EUR m	01–12/2015	01–12/2014
<b>Operating profit</b>	<b>325.4</b>	<b>363.3</b>
Loss (+)/Gain (-) from the disposal of fixed assets	-13.1	-5.1
Depreciation (+)/Appreciation (-) of fixed assets	291.3	284.5
Other non-cash income and expenses	-44.4	-41.3
Interest received and interest-related income	10.3	8.8
Taxes paid	-125.9	-104.0
	<b>443.7</b>	<b>506.3</b>
Increase (-)/Decrease (+) in inventories	-9.8	-4.6
Increase (-)/Decrease (+) in receivables	-38.8	-1.3
Increase (+)/Decrease (-) in provisions	0.3	-53.0
Increase (+)/Decrease (-) in liabilities	22.0	-2.9
<b>Cash flow from operating activities</b>	<b>417.4</b>	<b>444.5</b>
Proceeds from the disposal of fixed assets (excluding financial assets)	63.6	46.9
Proceeds from the disposal/repayment of financial assets	6.2	9.3
Proceeds from the sale of consolidated companies, net of cash	54.8	37.2
Acquisition of intangible assets, property, plant and equipment	-308.0	-251.9
Acquisition of financial assets and other financial investments	-176.3	-5.0
Acquisition of consolidated companies, net of cash	-89.5	-134.0
Proceeds from the disposal of associated companies	0.0	101.7
Investment income from other investments	9.3	0.0
<b>Cash flow from investing activities</b>	<b>-439.9</b>	<b>-195.7</b>
Dividend payments	-161.3	-41.6
Expenditures from change in interests in subsidiaries (without change of control)	-18.2	-9.6
Proceeds from issuance of a bond	0.0	198.9
Expenditures from the redemption of bonds	-189.4	-9.9
Proceeds from bank loans and financial liabilities	430.6	4.5
Expenditures from bank loans and financial liabilities	-120.2	-153.9
Interest paid and interest-related expenses	-46.7	-36.3
<b>Cash flow from financing activities</b>	<b>-105.2</b>	<b>-47.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-127.7</b>	<b>201.0</b>
Currency translation adjustments	2.5	8.8
Changes in cash and cash equivalents due to changes in scope of consolidation	0.5	-0.2
<b>Net change in cash and cash equivalents</b>	<b>-124.7</b>	<b>209.6</b>
Cash and cash equivalents at the beginning of the period	627.2	417.6
Cash and cash equivalents at the end of the period	502.5 <sup>1)</sup>	627.2
<b>Net change in cash and cash equivalents</b>	<b>-124.7</b>	<b>209.6</b>

<sup>1)</sup> The cash and cash equivalents shown on the balance-sheet amount to EUR 585.4 million. The deviation of EUR 82.9 million against the cash and cash equivalents disclosed in the cash flow statement are the result of funds tied up for tax liabilities. Further details are provided in note 11, as well as in the notes on the cash flow statement.

## Consolidated Statement of Changes in Equity for Fiscal Year 2015

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
<b>As of 1/1/2015</b>	<b>26.0</b>	<b>1.0</b>	<b>1,139.9</b>	<b>-9.4</b>	<b>-30.9</b>	<b>1,126.5</b>	<b>47.8</b>	<b>1,174.3</b>
1) Total comprehensive income								
Annual profit	0.0	0.0	216.2	0.0	0.0	216.2	4.5	220.7
Other comprehensive income	0.0	0.0	-0.6	0.9	7.0	7.3	-0.1	7.2
2) Dividend payments	0.0	0.0	-152.0	0.0	0.0	-152.0	-9.3	-161.3
3) Change in non-controlling interests	0.0	0.0	-9.6	0.0	0.0	-9.6	-5.3	-14.9
4) Changes in the scope of consolidation	0.0	0.0	-11.7	0.0	0.0	-11.7	12.2	0.4
5) Obligation from written put options for non-controlling interests	0.0	0.0	-2.8	0.0	0.0	-2.8	0.0	-2.8
6) Other equity transactions	0.0	0.0	1.2	0.0	0.0	1.2	0.0	1.2
<b>As of 12/31/2015</b>	<b>26.0</b>	<b>1.0</b>	<b>1,180.5</b>	<b>-8.6</b>	<b>-23.9</b>	<b>1,175.1</b>	<b>49.9</b>	<b>1,224.9</b>

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
<b>As of 1/1/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>928.7</b>	<b>-0.5</b>	<b>-32.4</b>	<b>922.9</b>	<b>29.5</b>	<b>952.4</b>
1) Total comprehensive income								
Annual profit	0.0	0.0	272.0	0.0	0.0	272.0	5.0	276.9
Other comprehensive income	0.0	0.0	-2.0	-8.9	1.5	-9.5	0.3	-9.1
2) Dividend payments	0.0	0.0	-40.0	0.0	0.0	-40.0	-1.6	-41.6
3) Change in non-controlling interests	0.0	0.0	-15.6	0.0	0.0	-15.5	5.9	-9.6
4) Changes in the scope of consolidation	0.0	0.0	0.7 <sup>1)</sup>	0.0	0.0	0.7	8.7 <sup>1)</sup>	9.4
5) Obligation from written put options for non-controlling interests	0.0	0.0	-3.9	0.0	-0.1	-4.0	0.0	-4.0
<b>As of 12/31/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>1,139.9</b>	<b>-9.4</b>	<b>-30.9</b>	<b>1,126.5</b>	<b>47.8</b>	<b>1,174.3</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

# Notes to the Consolidated Financial Statements

*as of 31 December, 2015*

## Information about the Company

The NOVOMATIC Group consists of NOVOMATIC AG and its subsidiaries. NOVOMATIC AG is a public limited company according to Austrian legislation and its registered office is in Gumpoldskirchen, Austria. The company's address is NOVOMATIC AG, Wiener Straße 158, 2352 Gumpoldskirchen. The company is filed with the Register of Companies maintained by the Regional Court of Wiener Neustadt under FN 69548 b.

The NOVOMATIC Group is a globally operating, integrated gaming technology and entertainment company. The Group develops, manufactures and distributes gaming products, lottery technologies and cross-linked system solutions for national and international gaming and betting markets. The NOVOMATIC Group, furthermore, operates more than 1,400 gaming facilities worldwide, including casinos, automated casinos, bingo facilities and sports betting outlets.

In addition to the development of gaming equipment, the NOVOMATIC Group has also established itself as a content provider of games for licensed online and offline suppliers and as an operator of online gaming platforms. The NOVOMATIC Group is aware of its considerable social responsibility and pursues business activities only in markets with a clearly defined legal framework.

## Accounting Principles

The present consolidated financial statements as of December 31, 2015, was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of section 245a para 1 of the Austrian Commercial Code have likewise been fulfilled.

The fiscal year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign company included in the consolidated financial statements for 2015 were prepared as of the balance sheet date of the consolidated financial statements.

The consolidated financial statements is prepared in Euros. For the purpose of clarity, all items in the consolidated financial statements are shown in millions of Euros (EUR m). Due to the financial rounding of individual values and percentages, insignificant discrepancies may arise.

## Standards and Interpretations to be applied for the first time in fiscal year 2015

The following new or revised standards and interpretations were adopted by EU legislation and implemented for the first time in fiscal year 2015:

Annual Improvements to IFRS 2011–2013

Their application had no significant impact on the consolidated financial statements.

## Standards and Interpretations already published, but only to be applied in future periods

At the date upon which this financial statement was authorized for publication, the following standards and interpretations were already published but not yet mandatory and were not voluntarily applied in advance:

Standard/Interpretation	Obligatory application for the fiscal years starting on
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017 (not yet adopted as EU law)
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017 (not yet adopted as EU law)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
IFRS 9 "Financial Instruments"	January 1, 2018 (not yet adopted as EU law)
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate/Joint Venture"	postponed (not yet adopted as EU law)
Amendments to IFRS 11 "Acquisition of an Interest in a Joint Operation"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018 (not yet adopted as EU law)
IFRS 16 "Leases"	January 1, 2019 (not yet adopted as EU law)
Annual Improvements to IFRS 2010–2012	February 1, 2015
Annual Improvements to IFRS 2012–2014	January 1, 2016

The new IFRS 9 deals with the classification, recognition and measurement of financial assets and liabilities. In addition to this, it introduces a new model for the impairment of financial assets geared to expected credit defaults. Furthermore, the regulations regarding hedge accounting were modified with the objective of allowing entities to better reflect risk management activities and measure their effectiveness more easily. According to current assessments, the application of IFRS 9 is expected to have an occasional impact on the categorization and measurement of financial assets. The regulations regarding the disclosure of impairments will tend to result in an earlier recognition of credit default losses (with particular regard to trade receivables).

The new IFRS 15 regulates the recognition of revenue and applies to all customer contracts. According to IFRS 15, revenue should be recognized to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled, in exchange for those goods or services. The revenue is recognized when the power of disposal of the goods or services passes to the customer. According to current assessments, the application of IFRS 15 will have no significant impact on Group accounting. However, enhanced disclosures regarding the realization of revenues will be required.

The new IFRS 16 regulates the recognition, measurement and reporting, as well as the disclosure requirements, regarding leases. For the lessee, the standard provides a single accounting model. This model results in the lessee having to recognize all assets and liabilities from lease agreements in the balance sheet. Lessors, on the other hand, continue to differentiate between financing and operating leases. The NOVOMATIC Group will initiate a detailed analysis of the impact of IFRS 16 shortly. On a general level, it is expected that the recognition of usage rights and leasing liabilities from the contracts previously classified as operating leases, where the Group acts as lessee, will be enhanced.

The NOVOMATIC Group does not expect any significant impact on its financial position or its operational results due to the first-time application of the other standards and interpretations.

## Scope of Consolidation

These consolidated financial statements cover NOVOMATIC AG and the companies that it controls. The control over a subsidiary is assumed if NOVOMATIC AG can exercise control over the associated company either directly or indirectly, is exposed to fluctuating returns on its investment, and can influence returns in terms of their size due to the power to control. Subsidiaries are fully consolidated from the acquisition date, i.e. the date on which the Group gains control over the company. Inclusion in the consolidated financial statements ends when the parent no longer exercises control over the subsidiary.

The equity method is applied for companies that are significantly influenced – but cannot be considered to be controlled – by NOVOMATIC AG. In cases of joint operations, the attributable assets and liabilities are recognized.

During 2015, the Group acquired or founded the following subsidiaries:

- AbZorba Games Betriebsges.m.b.H., Austria
- Admiral Casinos S.A., Spain
- Admiral Gaming Madrid S.L., Spain
- Admiral Operations Spain S.L., Spain
- Astra Games Ltd., United Kingdom
- Automáticos Surmatic S.L., Spain
- Bluebat Games Inc., Canada
- Brasan Bros S.A., Spain
- Brian Newton Leisure Ltd., United Kingdom
- Casino Entertainment GmbH & Co. KG, Germany
- Conrad Spielautomaten GmbH, Germany
- Domino-Automaten-Betriebs-GmbH, Germany
- Ensco 961 Ltd., United Kingdom
- Ensco 962 Ltd., United Kingdom
- Euromat S.r.l., Italy
- Funhouse Leisure Ltd., United Kingdom
- Funhouse Leisure Sales Ltd., United Kingdom
- Greentube Canada Interactive Entertainment Corp., Canada
- HP Automatenbetriebs GmbH, Germany
- Ideal Entertainment GmbH, Germany
- Interigre d.o.o., Croatia
- Juegos Automáticos Nacidos para el ocio S.L., Spain
- MS&NS d.o.o., Serbia



- Novomatic Americas Investments Inc., USA
- NWC Nord West Casino Beteiligungs GmbH, Germany
- NWC Nord West Casino GmbH & Co. KG, Germany
- Playnation Ltd., United Kingdom
- Play-Point Spielhallen- und Automatenbetriebsges.m.b.H., Germany
- Salones Macao S.L., Spain
- SM&SM d.o.o., Serbia

The following subsidiaries changed from non-consolidated to fully consolidated subsidiaries for the first time as of January 1, 2015:

- Extreme Live Gaming Ltd., United Kingdom
- Greentube Gibraltar Ltd., Gibraltar
- Stakelogic B.V., Netherlands

In Italy, the Netherlands, Hungary, Croatia, Serbia, Romania and Austria, subsidiaries were merged.

Affiliated companies, whose influence on the financial position and results of the operation of the Group is marginal, are not included in the scope of the fully consolidated companies but are shown as financial assets at acquisition costs.

As a result, the scope of consolidation developed as follows:

Scope of Consolidation	Fully consolidated	Valued at equity	Joint activity
As of 1/1/2015	178	1	1
First time inclusion in 2015	34	0	0
Disposed of in 2015	-13	0	0
Merged in 2015	-11	0	0
Switched from at-equity valuation to fully consolidated in 2015	0	0	0
As of 12/31/2015	188	1	1
thereof non-Austrian companies	167	0	1

## Fully consolidated subsidiaries

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
ABZOAT	AbZorba Games Betriebsges.m.b.H., Austria	GTA	100.00 %	100.00 %
ADMICS	Admira d.o.o., Serbia	NOVOCS	100.00 %	100.00 %
ACEAT	Admiral Casinos & Entertainment AG, Austria	NAG	100.00 %	100.00 %
ADCAES	Admiral Casinos S.A., Spain	NOGES	100.00 %	100.00 %
AGMIT	Admiral Entertainment S.r.l., Italy	ADRIT	100.00 %	100.00 %
ADGAES	Admiral Gaming Andalucia S.A., Spain	NOGES	100.00 %	100.00 %
ADOSES	Admiral Gaming Madrid S.L., Spain	ADGMES	100.00 %	100.00 %
GMAIT	Admiral Gaming Network S.r.l., Italy	ADRIT	100.00 %	100.00 %
AIIT	Admiral Interactive S.r.l., Italy	ADRIT	100.00 %	100.00 %
ADGMES	Admiral Operations Spain S.L., Spain	NOGES	100.00 %	100.00 %
ALPDE	Admiral Play GmbH, Germany	NSMLDE	100.00 %	100.00 %
ADSLES	Admiral Slots S.A., Spain	NOGES	100.00 %	100.00 %
ASBUK	Admiral Sports Betting Ltd., United Kingdom	ASW	100.00 %	100.00 %
ASWDE	Admiral Sportwetten GmbH, Germany	ASW	100.00 %	100.00 %
ASW	Admiral Sportwetten GmbH, Austria	AGI	100.00 %	100.00 %
ADMILV	Admiralu Klubs SIA, Latvia	AGI	60.00 %	60.00 %
AGVIT	Adria Gaming Vicenza S.r.l., Italy	ALLIT	100.00 %	100.00 %
ADRIAL	Adriatik Game Sh.A., Albania	EAGAL	100.00 %	100.00 %
AGISA	AGI Africa (Pty) Ltd., South Africa	AGI	100.00 %	100.00 %
AGIAR	AGI Argentina Limitada S.r.l., Argentina	AGI/HTM	90.00 %/10.00 %	90.00 %/10.00 %
OLACO	AGI Gaming Colombia S.A.S., Colombia	AGI	100.00 %	100.00 %
AGIHU	AGI Hungaria Kft., Hungary	AGI	100.00 %	100.00 %
AIRO	Airoline GmbH, Austria	AGI	100.00 %	100.00 %
COMEBA	AK "COMET" d.o.o. Zivinice, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ALFLV	Alfor SIA, Latvia	AGI	60.00 %	60.00 %
ALGAST	Algast Gastronomie GmbH, Austria	AGI	100.00 %	100.00 %
ALLIT	Allstar S.r.l., Italy	ADRIT	100.00 %	100.00 %
ALSGRU	ALS Group OOO, Russia	AGI/SBPRU	99.90 %/0.10 %	99.90 %/0.10 %
AMONBA	Amoniq d.o.o. Zenica, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ASTRAL	Astra Albania Sh.A., Albania	EAGAL	100.00 %	100.00 %
ASCOUK	Astra Casino Gaming (One) Ltd., United Kingdom	ASCGUK	100.00 %	100.00 %
ASTUK	Novomatic UK Ltd., United Kingdom	AGI	100.00 %	100.00 %
ASTRUK	Astra Games Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
AUTEC	AuTec AutomatenbetriebsgmbH, Austria	AGI	100.00 %	100.00 %
AUSUES	Automáticos Surmatic S.L., Spain	ADGMES	60.00 %	60.00 %
BEAMT	BeatYa Online Entertainment p.l.c., Malta	GTA	100.00 %	100.00 %
BELLUK	Bell-Fruit Group Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
BETWCS	Betware d.o.o., Serbia	BETWDK	100.00 %	100.00 %
BETWDK	Betware DK ApS., Denmark	BETWIS	100.00 %	100.00 %
BETWIS	Betware ehf., Iceland	BETHIS	100.00 %	100.00 %
BETHIS	Betware Holding hf., Iceland	NLSAT/NLSIS	15.84 %/84.16 %	15.84 %/84.16 %
BETWES	Betware S.L.U., Spain	BETWIS	100.00 %	100.00 %
BLUECA	Bluebat Games Inc., Canada	GTCACA	70.00 %	70.00 %

BPAFDE	BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany	NSMLDE	100.00 %	100.00 %
BRASES	Brasan Bros S.A., Spain	JANOES	80.00 %	100.00 %
NEWTUK	Brian Newton Leisure Ltd., United Kingdom	LUXLUK	100.00 %	100.00 %
CAHONL	Casino Admiral Holland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CAZENL	Casino Admiral Zeeland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CAS1DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. I, Germany	BPAFDE	100.00 %	100.00 %
CAS3DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. III, Germany	BPAFDE	100.00 %	100.00 %
VIDDE	Casino Deluxe Beteiligungsgesellschaft m.b.H. IV, Germany	BPAFDE	100.00 %	100.00 %
CASKDE	Casino Entertainment GmbH & Co. KG, Germany	EXTDE	100.00 %	100.00 %
CER	Cervo Media GmbH, Austria	GTA	100.00 %	100.00 %
COSPDE	Conrad Spielautomaten GmbH, Germany	EXTDE	100.00 %	100.00 %
CROMX	Crown Gaming Mexico S.A. de C.V., Mexico	AGI/HTM	99.99 %/0.01 %	99.99 %/0.01 %
CROPY	Crown Gaming Paraguay S.A., Paraguay	NLAHES	65.00 %	65.00 %
CROPE	Crown Gaming S.A.C., Peru	NOVOPE	65.00 %	65.00 %
AGIMX	Crown Gaming Services Mexico S. de R.L. de C.V., Mexico	AGI/HTM	80 %/20 %	80 %/20 %
CRODE	Crown Technologies GmbH, Germany	NSMLDE	100.00 %	100.00 %
CRYAN	CRYdata N.V., Curacao	FMASK	100.00 %	100.00 %
DOMIDE	Domino-Automaten-Betriebs-GmbH, Germany	EXTDE	100.00 %	100.00 %
EAGAL	Eagle Investment Sh.A, Albania	AGI	100.00 %	100.00 %
ELAMNL	Elam Group Electronic Amusement B.V., Netherlands	EUCGNL	100.00 %	100.00 %
EMPUKU	Empire Games Ltd., United Kingdom	ASTUK	78.80 %	78.80 %
EN61UK	Ensco 961 Ltd., United Kingdom	EN62UK	100.00 %	100.00 %
EN62UK	Ensco 962 Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
EUCGNL	Eurocoin Gaming B.V., Netherlands	JVHPNL	100.00 %	100.00 %
AWPDNL	Eurocoin Interactive B.V., Netherlands	JVHPNL	100.00 %	100.00 %
EUROIT	Euromat S.r.l., Italy	ADRIT	60.00 %	60.00 %
EXTDE	Extra Games Entertainment GmbH, Germany	NSMLDE	100.00 %	100.00 %
EXLGUK	Extreme Live Gaming Ltd., United Kingdom	ASTUK	92.50 %	92.50 %
TREU15	Fenikss Slots SRL, Romania	NOVORO/HTM	99.55 %/0.45 %	99.55 %/0.45 %
FMASK	FMA s.r.o., Slovakia	FST/GTA	10.00 %/90.00 %	10.00 %/90.00 %
FUNHUK	Funhouse Leisure Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
FUSAUK	Funhouse Leisure Sales Ltd., United Kingdom	FUNHUK	100.00 %	100.00 %
FST	Funstage Spielewebseiten Betriebsges.m.b.H., Austria	GTA	100.00 %	100.00 %
GAM	G.A.M.E. SYS Geldspiel-Automaten-Miet-Elektronik-System GmbH, Austria	AGI	100.00 %	100.00 %
GAMEUK	Gamestec Leisure Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
GESGES	GesGiGames S.L.U., Spain	GIGAES	80.00 %	100.00 %
GNORES	GiGames Norte S.L., Spain	GIGAES	80.00 %	100.00 %
GIGAES	GiGames S.L., Spain	NOGES	80.00 %	80.00 %
GSM	Giochi San Marino S.p.A., San Marino	AGI	93.00 %	93.00 %
GALUK	Greentube Alderney Ltd., United Kingdom	GTMT	100.00 %	100.00 %
GTCACA	Greentube Canada Interactive Entertainment Group, Canada	GTA	100.00 %	100.00 %
GTGIGI	Greentube Gibraltar Ltd., Gibraltar	GTA	100.00 %	100.00 %

GTA	Greentube Internet Entertainment Solutions GmbH, Austria	ASTUK	100.00 %	100.00 %
GTMT	Greentube Malta Ltd., Malta	GTA	100.00 %	100.00 %
HIRDE	Hirscher Moneysystems GmbH, Germany	CRODE	80.00 %	80.00 %
HOCAPE	Hotel Carrera S.A.C., Peru	IMRAPE/SIMAPE	64.93 %/0.07 %	99.90 %/0.10 %
HPABDE	HP Automatenbetriebs GmbH, Germany	EXTDE	100.00 %	100.00 %
HTLBA	HTL d.o.o. Sarajevo, Bosnia and Herzegovina	AGI	100.00 %	100.00 %
HTLMK	HTL Makedonija DOOEL, Macedonia	AGI	100.00 %	100.00 %
HTLME	HTL Montenegro d.o.o., Montenegro	AGI	100.00 %	100.00 %
HTLUA	HTL Ukraine TOV, Ukraine	AGI	100.00 %	100.00 %
HTM	HTM Hotel- u. Tourismus Management GmbH, Austria	NAG	100.00 %	100.00 %
IDEADE	Ideal Entertainment GmbH, Germany	NWCDE	100.00 %	100.00 %
IGROUA	Igrotech-Import TOV, Ukraine	AZARLT	80.00 %	100.00 %
INEWCL	I-New Chile S.p.A., Chile	INEWAT	76.81 %	100.00 %
INEWCO	I-New Colombia S.A.S., Colombia	INEWAT	76.81 %	100.00 %
INEWHU	I-New Hungary Kft., Hungary	INEWAT	76.81 %	100.00 %
INEWAT	I-New Unified Mobile Solutions AG, Austria	NAG	76.81 %	76.81 %
INEWMX	I-New Unified Mobile Solutions S.A. de C.V., Mexico	INEWAT	76.80 %	99.99 %
IMRAPE	Inmobiliaria Rapid S.A.C., Peru	CROPE/NOVOPE	64.99 %/0.01 %	99.99 %/0.01 %
INTEHR	Interigre d.o.o., Croatia	NOGHR	100.00 %	100.00 %
INTRO	Intertop S.r.l., Romania	NOVORO/HTM/ AGI	99.9884 %/ 0.0017 %/ 0.0099 %	99.9884 %/ 0.0017 %/ 0.0099 %
SCHAAF	J.u.C. Schaaf Spielautomatenbetriebsges.m.b.H., Austria	GAM	100.00 %	100.00 %
JANOES	Juegos Automáticos Nacidos para el ocio S.L., Spain	ADGMES	80.00 %	80.00 %
JVHENL	JVH exploitatie B.V., Netherlands	JVHPNL	100.00 %	100.00 %
JVHPDE	JVH gaming products GmbH, Germany	JVHPNL	100.00 %	100.00 %
KSBKDE	Kurhessische Spielbank Kassel/BadWildungen GmbH & CO. KG, Germany	SIMKDE	100.00 %	100.00 %
LOONNL	Loontjens Automaten B.V., Netherlands	JVHPNL	100.00 %	100.00 %
NSMLDE	Löwen Entertainment GmbH, Germany	AGI	100.00 %	100.00 %
ASCGUK	Luxury Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
LUXLUK	Luxury Leisure Ultd., United Kingdom	ASCGUK	100.00 %	100.00 %
MAGMK	MA Gaming DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
MAKOMK	Makoten DOOEL, Macedonia	AGI	100.00 %	100.00 %
MASTMK	Masterbet DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100.00 %	100.00 %
MNAME	MNA Gaming d.o.o., Montenegro	HTLME	100.00 %	100.00 %
MICACS	MS&NS d.o.o., Serbia	NOVOCS	80.00 %	80.00 %
NMN	NMN Automatentechnik GmbH, Austria	AGI/NAG	1.00 %/99.00 %	1.00 %/99.00 %
NORDDE	Norddeutsche Spielbanken GmbH, Germany	NAG	100.00 %	100.00 %
NOVOCR	Novo Gaming CR Ltda., Costa Rica	NLAHES	100.00 %	100.00 %
NOGHR	Novo Gaming d.o.o., Croatia	AGI	100.00 %	100.00 %
JVHMNL	Novo Gaming Development B.V., Netherlands	JVHPNL	100.00 %	100.00 %
NGEXNL	Novo Gaming Exploitatie B.V., Netherlands	JVHPNL	100.00 %	100.00 %

NOVOGT	Novo Gaming GT Limitada, Guatemala	NLAHES	100.00 %	100.00 %
NOVONL	Novo Gaming Netherlands B.V., Netherlands	AGI	100.00 %	100.00 %
JVHPNL	Novo Gaming Services B.V., Netherlands	NOVONL	100.00 %	100.00 %
IKGDE	Novo Immobilien GmbH, Germany	NAG	100.00 %	100.00 %
NOVOBG	Novo Invest Bulgaria EOOD, Bulgaria	AGI	100.00 %	100.00 %
NOVORO	Novo Invest Co SRL, Romania	AGI/HTM	99.85 %/0.15 %	99.85 %/0.15 %
NOVOCS	Novo Investment d.o.o., Serbia	AGI	100.00 %	100.00 %
NLSAT	Novo Lottery Solutions GmbH, Austria	NAG	100.00 %	100.00 %
NLSIS	Novo Lottery Solutions Iceland hf., Iceland	NAG/NLSAT	0.24 %/99.76 %	0.24 %/99.76 %
NOVOBA	NOVO RS d.o.o., Bosnia and Herzegovina	AGI	100.00 %	100.00 %
NVLTAT	Novo VLTech GmbH, Austria	AGI	100.00 %	100.00 %
NVLTRO	Novo VLTech Solutions SRL, Romania	AGI/NVLTAT	0.01 %/99.99 %	0.01 %/99.99 %
NOVOCL	Novochile Ltda., Chile	AGI/HTM	99.00 %/1.00 %	99.00 %/1.00 %
NEE	Novoloto OÜ, Estonia	ADMILV	60.00 %	100.00 %
NAHUS	Novomatic Americas Holdings Inc., USA	NAG	100.00 %	100.00 %
NAINUS	Novomatic Americas Investments Inc., USA	NAHUS	100.00 %	100.00 %
NARUS	Novomatic Americas Real Estate LLC, USA	NAHUS	100.00 %	100.00 %
NASUS	Novomatic Americas Sales LLC, USA	NAHUS/NAINUS	99.00 %/1.00 %	99.00 %/1.00 %
AGI	Novomatic Gaming Industries GmbH, Austria	NAG	100.00 %	100.00 %
NOGES	Novomatic Gaming Spain S.A., Spain	AGI	100.00 %	100.00 %
NHCCL	Novomatic Holdings Chile Ltda., Chile	NICCL	100.00 %	100.00 %
NICCL	Novomatic Investment Chile S.A., Chile	NAG	100.00 %	100.00 %
ADRIT	Novomatic Italia S.p.A., Italy	NAG	100.00 %	100.00 %
AGSIT	Novomatic Italia Services S.r.l., Italy	ADRIT	100.00 %	100.00 %
NLAHES	Novomatic LatAm Holding S.L.U., Spain	AGI	100.00 %	100.00 %
NOVOPE	Novomatic Peru S.A.C., Peru	AGI	100.00 %	100.00 %
NWCDE	NWC Nord West Casino Beteiligungs GmbH, Germany	NWCKDE	100.00 %	100.00 %
NWCKDE	NWC Nord West Casino GmbH & Co. KG, Germany	EXTDE	100.00 %	100.00 %
ARGAR	Octavian de Argentina S.A., Argentina	AGI/HTM	90.00 %/10.00 %	90.00 %/10.00 %
SBPRU	Octavian SPb Limited Partnership, Russia	AGI	100.00 %	100.00 %
UGIRU	OOO United Gaming Industries, Russia	AGI	99.99 %	99.99 %
PLANBY	Planeta IGR, Belarus	AZARLT	80.00 %	100.00 %
PLAAT	Platogo Interactive Entertainment GmbH, Austria	GTA	100.00 %	100.00 %
PLAYUK	Playnation Ltd., United Kingdom	EN61UK	100.00 %	100.00 %
PLAYDE	Play-Point Spielhallen- und Automatenbetriebs- ges.m.b.H., Germany	EXTDE	100.00 %	100.00 %
LORZNL	Recreatieprojecten Zeeland B.V., Netherlands	CAZENL	100.00 %	100.00 %
HTBLBA	RSA Gaming d.o.o., Bosnia and Herzegovina	NOVOBA	100.00 %	100.00 %
RUTAES	Ruta 777 S.L., Spain	NOGES	80.00 %	80.00 %
ASGOUK	S.A.L. Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
SALLUK	SAL Leisure Ltd., United Kingdom	ASGOUK	100.00 %	100.00 %
SAMAES	Salones Macao S.L., Spain	ADGMES	75.00 %	75.00 %
SIMAPE	Sierra Machines S.A.C., Peru	CROPE	65.00 %	100.00 %
SIMKDE	SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & CO. KG, Germany	NAG	100.00 %	100.00 %
SLOTHU	Slotclub Kft., Hungary	AGIHU	100.00 %	100.00 %
MIBECS	SM&SM d.o.o., Serbia	NOVOCS	80.00 %	80.00 %

SOGIT	So.Ge.Slot S.p.A., Italy	ADRIT	100.00 %	100.00 %
SOWSK	"SoWhat!" s.r.o., Slovakia	FST/GTA	10.00 %/90.00 %	10.00 %/90.00 %
SBEKDE	Spielbank Berlin Entertainment GmbH & Co.KG, Germany	NAG	92.50 %	92.50 %
SBBKDE	Spielbank Berlin Gustav Jaenecke GmbH & Co.KG, Germany	NAG	92.04 %	92.04 %
SBNKDE	Spielbank Berlin nationale Beteiligungsgesellschaft mbH & Co.KG, Germany	NAG	100.00 %	100.00 %
STAKNL	Stakelogic B.V., Netherlands	GTA	100.00 %	100.00 %
TREU10	Treuhand 10 GmbH, Switzerland	NAG	100.00 %	100.00 %
TREU9	Treuhand 9 GmbH, Poland	TREU1	60.00 %	100.00 %
TREU1	Treuhand GmbH, Austria	AGI	60.00 %	60.00 %
AZARLT	UAB Azarto Technika, Lithuania	AGI	80.00 %	80.00 %
NOVOLT	UAB Novogaming Vilnius, Lithuania	AGI	80.00 %	80.00 %
TAXILT	UAB Taxillus, Lithuania	AZARLT	80.00 %	100.00 %
VSGALT	UAB VSGA, Lithuania	AZARLT	80.00 %	100.00 %
VILLBG	Villox Group EOOD, Bulgaria	NOVOBG	100.00 %	100.00 %
WEC	Wett Cafe Betriebs GmbH, Austria	HTM	100.00 %	100.00 %
WETTRO	Wettpunkt International S.r.l., Romania	NOVORO	100.00 %	100.00 %

### "At-Equity" consolidated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
PRAGA	Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H., Austria	NAG	47.50 %	47.50 %

### "Joint Operations" consolidated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
INT7ES	Interseven Gaming Team S.L.U., Spain	GIGAES	40.00 %	50.00 %

### Non-consolidated affiliated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
ABZOUK	AbZorba Games UK Ltd., United Kingdom	ABZOAT	100.00 %	100.00 %
CLUBUK	Admiral Club Ltd., United Kingdom	AGI	100.00 %	100.00 %
BAGYHU	Admiral Hungaria Kft.(Bagyi System Kft.), Hungary	AGIHU	100.00 %	100.00 %
NLSTTN	AGI Novomatic Tunisia S.A.R.L., Tunisia	NLSAT/AGI	99.00 %/1.00 %	99.00 %/1.00 %
ALEARO	Alea Investrom SRL, Romania	NOVORO/HTM	99.00 %/1.00 %	99.00 %/1.00 %
ABETUK	Astra Betting (One) Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
ASGGUK	Astra Gaming Group Ltd., United Kingdom	ASTRUK	100.00 %	100.00 %
BAMUUK	Bell Amusements Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
BFGUK	Bell-Fruit Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
BFSUK	Bell-Fruit Services Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
BEMARO	Bet Master SRL, Romania	NOVORO/HTM	99.00 %/1.00 %	99.00 %/1.00 %
BETBMT	BetCave Betting Solutions Limited, Malta	BETHMT	100.00 %	100.00 %

BETHMT	BetMen Holding Limited, Malta	ASW	100.00 %	100.00 %
BETOMT	BetMen Operations Limited, Malta	BETHMT	100.00 %	100.00 %
BINGIT	Bingoland S.r.l., Italy	AGMIT	51.00 %	51.00 %
BUENNI	Buena Vista S.A., Nicaragua	CROPE	61.11 %	94.02 %
CASVDE	Casino Entertainment Verwaltungs-GmbH, Germany	EXTDE	100.00 %	100.00 %
CPASPH	CP Asian Solutions Corporation, Philippines	ASTUK	51.00 %	51.00 %
CRVBA	"Crveno-Crno" d.o.o., Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
DHTCMK	DHTCM DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
GNETUK	Games Network Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
GTECUK	Gamestec Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
HTLXK	HTL Kosovo Sh.p.k., Kosovo	HTLMK	100.00 %	100.00 %
INEWZA	I-NEW Unified Mobile Solutions Africa (PTY) Ltd., South Africa	INEWAT	76.81 %	100.00 %
INTLB	Interinvest Holding SAL, Lebanon	AGI	95.00 %	95.00 %
INLOLB	Interlog SAL, Lebanon	INTLB	95.00 %	100.00 %
KSBDE	Kurhessische Spielbank Kassel/BadWildungen Verwaltungs GmbH, Germany	SIMKDE	100.00 %	100.00 %
KWIKUK	Kwik Tan Ltd. (Astra Casino Gaming (Two) Ltd.), United Kingdom	ASCGUK	100.00 %	100.00 %
LEISUK	Leisure Projects Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
MAZOUK	Mazooma Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
MIGUK	Mazooma Interactive Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
MILLIT	Millenium Srl., Italy	ADRIT	100.00 %	100.00 %
NOVOKH	Novo (Cambodia) Ltd., Cambodia	NOVOSG	100.00 %	100.00 %
NOVOSG	Novo AI Singapore Pte.Ltd., Singapore	AGI	100.00 %	100.00 %
NOVOHN	Novo Gaming Honduras S.de R.L. de C.V., Honduras	NLAHES/HTM	99.95 %/0.05 %	99.95 %/0.05 %
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	100.00 %	100.00 %
NOVOPA	Novo Panama S.de R.L., Panama	NLAHES/HTM	99.90 %/0.10 %	99.90 %/0.10 %
OSBKDE	Ostsee-Spielbanken GmbH & Co. KG, Germany	SBNKDE	51.00 %	51.00 %
RLMSUK	RLMS Sales Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
SAYCO	Say:Hola ! SAS, Colombia	INEWAT	76.81 %	100.00 %
SIMDE	SIM Spielbanken Investitions- und Management GmbH, Germany	NAG	100.00 %	100.00 %
SMARAT	Smartspace GmbH, Austria	INEWAT	65.29 %	85.00 %
SBEVDE	Spielbank Berlin Entertainment Verwaltungs GmbH, Germany	SBEKDE	92.50 %	100.00 %
GIPDE	Spielbank Berlin nationale Beteiligungen Verwaltungs GmbH, Germany	SBNKDE	100.00 %	100.00 %
SBBVDE	Spielbank Berlin Verwaltungs GmbH, Germany	SBBKDE	92.04 %	100.00 %
SBMKDE	Spielbanken MV Bewerbergesellschaft GmbH & Co. KG, Germany	SBNKDE	75.00 %	75.00 %
SBMVDE	Spielbanken MV Bewerbergesellschaft Verwaltungs-GmbH, Germany	SBNKDE	75.00 %	75.00 %
STAKMT	Stakelogic Malta Limited, Malta	STAKNL	100.00 %	100.00 %
TREU16	Treuhand 16, Austria	AGI	100.00 %	100.00 %
TREU17	Treuhand 17, Austria	AGI	80.00 %	80.00 %
NOLOLT	UAB Novoloto Vilnius, Lithuania	AZARLT	80.00 %	100.00 %

## Acquisitions in 2015

### Playnation Group

As of September 18, 2015, the NOVOMATIC Group acquired 100 percent of the shares of Ensco 962 Ltd. and therefore also indirectly of its four subsidiaries (together referred to as the Playnation Group). Together with its subsidiaries, the acquired company is one of the United Kingdom's leading gaming companies. Playnation operates approximately 20,000 entertainment and gaming devices at more than 1,700 locations, mainly in amusement parks, motorway service facilities, bowling alleys, pubs and airports. The objective of this transaction is to further strengthen NOVOMATIC UK's market presence and to achieve synergies with other Group companies, which are mainly active in the pub segment.

The Playnation Group is included based on provisional fair values, as the values in the opening balance have not yet been conclusively determined. Likewise, the total purchase price has not yet been fully allocated to the acquired assets and assumed liabilities. In particular, changes in the values of intangible assets as well as property, plant and equipment may still occur.

The fair values at the acquisition dates present themselves as follows:

EUR m	fair values
Intangible Assets	24.9
Property, plant and equipment	34.1
Other non-current assets	4.9
Deferred tax assets	0.5
Inventories	3.3
Cash and cash equivalents	8.1
Other current assets	6.5
Non-current liabilities and provisions	-25.4
Deferred tax liabilities	-6.6
Current liabilities and provisions	-17.8
<b>Net assets</b>	<b>32.6</b>
Non-controlling interests	0.0
Goodwill	0.0
<b>Consideration</b>	<b>32.6</b>

Other current assets consist mainly of trade receivables with a fair value of EUR 3.8 million (or EUR 4.1 million gross).

The consideration amounting to EUR 32.6 million has been paid in cash. Revenue amounts to EUR 11.5 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -1.9 million.

### Germany

On January 15, 2015, Extra Games Entertainment GmbH, Germany, acquired a 100 percent stake in Domino Automaten Betriebs GmbH, which operates nine gaming halls in eight locations. On January 28, 2015, the company furthermore acquired 100 percent of the limited partner's shares of Casino Entertainment GmbH & Co KG, Germany, which operates 13 gaming halls.

In March 2015, BPA Freizeit- & Unterhaltungsbetriebe GmbH, Germany, acquired three gaming halls as part of an asset deal; these constitute business operations.



On April 21, 2015, Extra Games Entertainment GmbH, Germany, acquired 100 percent of the shares of HP Automatenbetriebs GmbH, Germany, which operates 88 restaurant locations.

On May 4, 2015, the company acquired 100 percent of the shares of Play-Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H., an operator of six gaming halls, and on May 19, 2015, it further acquired 100 percent of the shares of Conrad Spielautomaten GmbH, an operator of 14 gaming halls.

On December 15, 2015, 100 percent of the shares of NWC Nord West Casino GmbH & Co KG and its two subsidiaries were acquired. The acquired companies operate a total of 24 gaming halls.

These acquisitions were carried out to enhance the Group's presence as an operator within the German gaming market.

### **Italy**

On January 23, 2015, NOVOMATIC Italia S.p.A., Italy, acquired 60 percent of the shares of Euromat S.r.l., Italy. The subject of the transaction includes the operation of a gaming facility and the placement of AWP devices in hospitality establishments. For the remaining shares, representing a non-controlling stake of 40 percent, a written put option was granted; the resulting obligation is included in the consolidated financial statements as a liability. The acquisition enhances the Group's market position in the Italian market for machine placement.

In addition to this, several gaming halls were acquired through asset deals. The gaming halls predominantly operate AWP and VLT devices.

### **Canada**

On January 30, 2015, Greentube Internet Entertainment Solutions GmbH, Austria, acquired 70 percent of the shares of Bluebat Games Inc., Canada, through a newly established subsidiary. The acquired company's business focuses on software development for social games. For the remaining shares, representing a non-controlling stake of 30 percent, a written put option was granted; the resulting obligation is included in the consolidated financial statements as a liability. With this acquisition, the Group strengthens its activities in the area of online gaming.

### **United States**

On February 23, 2015, Greentube Internet Entertainment Solutions GmbH, Austria, acquired 100 percent of the shares of Abzorba Games LLC, USA, also through a newly established subsidiary. The acquired company developed social casino and multiplayer games based on its own gaming platform. After completion of the acquisition, the assets and liabilities were fully transferred to AbZorba Games Betriebsges.m.b.H., Austria. AbZorba Games LLC, USA was then closed. With this transaction, the Group strengthens its activities in the area of online gaming.

### **Croatia**

With the acquisition of 100 percent of the shares of Interigre d.o.o., Croatia, the Group was able to secure a long-term license for the operation of gaming halls.

## Serbia

On September 10, 2015, Novo Invest d.o.o. Serbia acquired 80 percent of the shares of both SM&SM d.o.o. and MS&NS d.o.o.. The purpose of the business is to provide B2C betting services at own locations, as well as in collaboration with franchise partners. With the transaction, the Group was able to enter the betting market in Serbia.

## United Kingdom

In order to enhance the Group's operating activities, two gaming facilities (constituting one business operation) were acquired in October 2015 through an asset deal. In addition to this, 100 percent of the shares of Brian Newton Leisure Ltd., a company operating five gaming halls, were acquired on December 18, 2015.

## Spain

In December 2015, 100 percent of the shares of Admiral Operations Spain S.L. (previously Overlord Gaming S.L.), Spain, were acquired. The acquired company is the parent company of five further subsidiaries in which it holds a majority interest. The business activities of this Spanish group of companies focus on the operation of gaming facilities in Madrid. This acquisition aims at sustainably enhancing the NOVOMATIC Group's market position in the Spanish operating gaming segment - one of Europe's largest gaming markets.

The accounting of the acquisitions in Spain as per IFRS 3 has not yet been finalized. The Spanish companies are therefore included based on provisional fair values, as the values in the opening balance have not yet been conclusively determined. Likewise, the total purchase price has not yet been fully allocated to the acquired assets and assumed liabilities. Changes are possible, in particular in the area of intangible assets.

The following table summarizes the acquisitions, providing final values for the transactions in Germany, Italy, Canada, the U.S., Croatia, Serbia and the United Kingdom (other acquisitions), and temporary values for the acquisitions in Spain:

EUR m	fair values
Intangible assets	71.2
Property, plant and equipment	15.8
Other non-current assets	1.2
Deferred tax assets	0.7
Inventories	0.0
Cash and cash equivalents	12.2
Other current assets	5.0
Non-current liabilities and provisions	-20.8
Deferred tax liabilities	-18.1
Current liabilities and provisions	-9.6
<b>Net assets</b>	<b>57.5</b>
Non-controlling interests	-12.1
Goodwill	27.4
<b>Consideration</b>	<b>72.9</b>

The other current assets mainly include trade receivables with a fair value or gross amounts of EUR 0.6 million.

Non-controlling interests are valued at their respective shares of the identifiable net assets at the acquisition date.

Goodwill resulting from the acquisitions reflects expected strategic advantages for the Group due to the expansion of operational business activities in the corresponding markets. None of the goodwill resulting from these acquisitions is tax-deductible.

The consideration of EUR 72.9 million includes EUR 63.3 million payable in cash (EUR 61.6 million of which has already been paid), a contingent purchase price of EUR 8.7 million and an amount of EUR 0.9 million from offsetting receivables. The contingent purchase price is dependent on the development of underlying earnings figures during future periods up to and including the year 2017 and was calculated using discounted cash flows.

Revenue amounts to EUR 22.8 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -1.7 million.

#### Further comments on the acquisitions

The disclosure of revenues and profit or loss of the acquired companies under the assumption that the acquisition date of all business combinations is the beginning of the reporting period was omitted, since it would have caused considerable additional effort while its information value in terms of the consolidated financial statements would be insignificant.

### Acquisitions in 2014

The individual corporate acquisitions are detailed in NOVOMATIC AG's consolidated financial statements as of December 31, 2014. At the time of preparation of the consolidated financial statements, the accounting for the corporate acquisition in Spain had not yet been completed, with particular regard to the intangible assets. Therefore, provisional fair values were applied. The final values for this business combination are now available and are taken into account retroactively.

The following overview provides a summary for the corporate acquisitions in the Netherlands, Lithuania, Malta, Italy and Spain:

EUR m	provisional fair values	final fair values
Intangible assets	42.1	44.7
Property, plant and equipment	13.5	13.5
Other non-current assets	1.5	1.5
Deferred tax assets	4.2	4.2
Inventories	11.0	11.0
Cash and cash equivalents	4.4	4.4
Other current assets	23.5	23.5
Non-current liabilities and provisions	-7.9	-8.5
Deferred tax liabilities	-8.6	-8.8
Current liabilities and provisions	-25.0	-25.0
<b>Net assets</b>	<b>58.6</b>	<b>60.4</b>
<b>Non-controlling interests</b>	<b>-6.9</b>	<b>-9.0</b>
Goodwill	14.5	13.4
<b>Consideration</b>	<b>66.3</b>	<b>64.7</b>

The final consideration amounted to EUR 64.7 million (including EUR 61.0 million payable in cash and EUR 3.8 million representing a contingent purchase price). During the previous year, a purchase price of EUR 62.5 million was paid in cash. Based on the final determination of the purchase price, the purchase price was reduced by EUR 1.5 million during the current reporting period, resulting in a repayment. The non-controlling interests of the Spanish acquisition were valued at their fair value as of the acquisition date. The other disclosures remained unchanged.

## Disposals in 2015

In March 2015, 99 percent of the shares of HTL OOO, Russia, were sold. This disposal also included the subsidiary Zolotaya Bukhta OOO, Russia.

In May 2015, 100 percent of the shares of Novo Investicije d.o.o., Slovenia, were sold. This disposal also included its five Slovenian subsidiaries and sub-subsidiaries HTI Invest d.o.o., Memoria d.o.o., Memorija Turizem d.o.o., NOVO AS d.o.o. and Admiral d.o.o..

In December 2015, 90 percent of the shares of Novogaming Ghana Ltd., Ghana, as well as 100 percent of the shares of Dazzletag Entertainment Ltd., Malta, were sold.

As of the disposal date, the companies had the following carrying values:

EUR m	Carrying value in the Group
Intangible assets	9.9
Property, plant and equipment	12.0
Other non-current assets	0.2
Deferred tax assets	0.0
Inventories	0.1
Cash and cash equivalents	3.4
Other current assets	2.3
Non-current liabilities and provisions	-0.9
Deferred tax liabilities	-0.5
Current liabilities and provisions	-2.9
<b>Net assets sold</b>	<b>23.7</b>

From the other comprehensive income, an amount of EUR 11.0 million resulting from the currency translation was reclassified to the income statement. The consideration received amounted to EUR 23.0 million for the reporting period. This amount consists of EUR 15.2 million in cash already received, EUR 4.0 million in outstanding purchase price receivables and EUR 3.8 million from the settlement of existing liabilities. The resulting disposal gain of EUR 8.1 million and disposal loss of EUR 5.4 million (taking the outgoing non-controlling interest as well as cumulative currency effects into account) are disclosed in the consolidated income statement under "other operating income" and "other operating expenses".

## Accounting Policies

### Basis of consolidation

First-time consolidation of acquired companies is carried out according to the purchase method at the date of acquisition. The consideration transferred in the case of a business combination is measured at its fair value, which is an aggregate of the fair values of the assets acquired and liabilities taken over from the former owner of the acquired company at the date of acquisition in exchange for control of the company. The contingent consideration is treated as part of the transferred consideration and is measured at its fair value at the date of acquisition. If the business combination is achieved in stages, the previously held interest in the acquired entity is revalued at the fair value prevailing at the acquisition date and the resulting profit or loss is recognized in the Consolidated Income Statement. Additional acquisition costs are directly recognized as an expense.

The acquired identifiable assets and liabilities taken over are measured at their fair value at the date of acquisition unless exceptions thereto exist. In accordance with IFRS 3, any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognized as goodwill. If consideration transferred is below the identifiable net assets, the difference is recognized against income after a reevaluation of the acquired net assets.

Non-controlling interests are valued initially at either their respective share of the identifiable net assets or their fair value. During the subsequent accounting, the profit/loss of the subsidiary is attributed proportionally to the non-controlling interests, even if this results in a negative balance. The presentation is within the equity and is separate from the equity attributable to the shareholders of NOVOMATIC AG.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal.

Changes in interests in subsidiaries without loss of control are recognized as equity transactions.

The results, as well as the assets and liabilities of associated companies, are included using the equity method. Investments in associated companies are recognized on the balance sheet at acquisition costs, adjusted by post-acquisition changes of the Group's share of net assets, as well as by losses resulting from impairment. Losses exceeding the Group's share of the associated companies are not taken into account.

In the case of joint operations, the Group recognizes its share in jointly held assets, incurred debts, revenues and expenses.

All significant intercompany receivables, liabilities, expenses and earnings, as well as intragroup profits, are eliminated.

### Foreign currency translation

For the currency translation of foreign financial statements, the concept of the functional currency is used. For all companies, this is the local currency, as these entities conduct their business independently in terms of financial, economic and organizational aspects.

Apart from the positions within equity, all balance sheet items are translated into the reporting currency at the exchange rate prevailing on December 31, 2015. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. Upon the elimination of a foreign company from the consolidation scope, the exchange difference is recognized in the income statement.

The exchange rates used for the currency translation developed as follows:

Equivalent amount = EUR 1	Exchange rate prevailing at balance sheet date			Average exchange rate for the year
	12/31/2015	12/31/2014	2015	2014
Albanian Lek	137.2130	139.9615	139.5773	139.9175
Argentinian Peso	14.1951	10.3822	10.4058	10.8233
Bosnian Convertible Mark	1.9558	1.9558	1.9558	1.9558
British Pound	0.7350	0.7803	0.7240	0.8026
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Chilean Peso	774.4835	736.6570	726.9208	755.8060
Costa Rican Colón	589.8535	657.9140	590.3959	709.4215
Danish Crown	7.4620	7.4450	7.4600	7.4547
Ghanaian Cedi	4.1786	3.8878	4.2338	4.0574
Guatemalan Quetzal	8.3460	9.2606	8.4667	10.2309
Icelandic Crown	139.3735	154.5700	145.4845	154.5093
Canadian Dollar	1.5140	1.4134	1.4244	1.4632
Colombian Peso	3,474.2250	2,892.5000	3,058.9321	2,654.5863
Croatian Kuna	7.6410	7.6600	7.6164	7.6330
Lithuanian Litas	-	3.4528	-	3.4517
Macedonian Dinar	61.5817	61.4183	61.5516	61.5178
Mexican Peso	18.9300	17.8600	17.6488	17.6200
Paraguayan Guarani	6,348.1250	5,629.8300	5,796.6713	5,925.0896
Peruvian New Sol	3.7228	3.6351	3.5337	3.7652
Polish Zloty	4.2700	4.2820	4.1848	4.1935
Romanian Lei	4.5240	4.4860	4.4398	4.4378
Russian Rouble	80.4000	72.0000	68.5592	51.8717
Swiss Franc	1.0815	1.2000	1.0635	1.2121
Serbian Dinar	121.6000	121.2000	120.6375	117.2250
South African Rand	17.0650	14.0450	14.2748	14.3146
Hungarian Forint	315.0000	315.2000	309.5083	309.8708
Ukrainian Hryvnia	26.2306	19.2654	24.6624	16.1849
US Dollar	1.0898	1.2161	1.1048	1.3205
Belarusian Rouble	20,392.8500	15,372.3000	17,722.1917	13,759.9083

## Intangible assets and goodwill

Acquired intangible assets are capitalized at acquisition costs and amortized on a scheduled straight-line basis according to their economic useful life or contract period, with the exceptions of client base and technology, which are written off using the diminishing balance method. Internally generated intangible assets are capitalized at production costs if the criteria for inclusion are met and amortized on a scheduled straight-line basis according to their economic useful life.

Trademarks and licenses can have indefinite useful lives. The assessment of intangible assets with an indefinite useful life is reviewed once a year to decide if the assumption of an indefinite useful life is still justified. If this is not the case, the assumption of an indefinite useful life is changed prospectively to a limited useful life.

For intangible assets with an indefinite useful life, an impairment test is carried out at least annually or, in cases where indications of impairment arise, also during the year. The recoverable amount is the higher value of the fair value and the value-in-use. Impairment is recognized in the year during which the event causing the impairment arises. Where an impairment loss subsequently reverses, the assets are written up.

In the case of business combinations, any excess of the consideration transferred over the fair values of the identifiable net assets acquired is shown as goodwill and allocated to cash-generating units for the purpose of an impairment test. The allocation to cash-generating units or groups of cash-generating units is carried out on the identified business segments that are expected to profit from it. The carrying amount of the goodwill is subject to an impairment test annually as of September 30 or if there is any indication of impairment. The book value is compared to the recoverable amount for the cash-generating unit to which it is allocated. Any impairment loss is immediately charged against income and is not reversed in any later period.

The estimated useful lives for intangible assets and goodwill are:

	Useful life in years	
	from	to
Goodwill		Indefinite
Software	3	5
Patents and trademarks	3	20 or indefinite
Licenses	5	20 or indefinite
Customer relationships	3	20
Other intangible assets	3	10

## Property, plant and equipment

Property, plant and equipment are stated on the balance sheet at acquisition or production costs less the scheduled straight-line depreciation and amortization. Depreciation of assets begins when they are ready for use. For the determination of the estimated useful life of tangible assets, their expected economic life is taken into account. With regard to impairment tests in cases where the corresponding indications arise, we refer to the remarks above.

The estimated useful lives for tangible assets are:

	Useful life in years	
	from	to
Buildings	20	50
Investments in rented property	10	20
Machines	3	10
Gaming machines	3	7
Equipment	3	10

### Investment property

Investment property denotes land and buildings held but not used in business operations. They are stated at amortized costs. Buildings are written off over their estimated useful lives of 25 to 50 years using the straight-line method.

### Leasing

Agreements by which all risks and rewards of ownership related to the use of the assets transferred to the Group are classified as finance leases. Assets held as finance leases are recognized initially at their fair value or, if lower, at the present value of the minimum lease payments, and are written off over their estimated useful life or over the shorter term of the leasing contract, if applicable. The recognized assets are shown on the balance sheet along with the present value of the liability from all lease payment outstanding at the balance sheet date.

For agreements where the Group is lessor, the amounts payable by the lessee based on finance lease relationships are shown as receivables amounting to the net investment in the lease of the Group.

All other leases are qualified as operating leases. Rentals are shown as an expense or income.

### Inventories

Inventories are stated at acquisition or production cost, or at the lower net realizable value. Costs of raw materials and supplies are calculated using the weighted average price method. Aside from individual manufacturing and material costs, finished and unfinished goods contain reasonable shares of material and production overheads. Inventories are reviewed for slow movement or obsolete items and, if necessary, appropriate adjustments are made. Advanced payments concerning inventory are related to advanced payments for deliveries.

### Other assets

Precious metals (gold) are valued and recognized in accordance with the current market values. Due to the high liquidity and volatility, a measurement at fair value is usual and considered the most suitable valuation method.

### Financial instruments

A financial instrument is a contract that is simultaneously recognized by one entity as a financial asset and by that entity's counterparty as a financial liability or an equity instrument. The recognition of the financial instrument in the balance sheet occurs only when the Group is a party to the contract.



The valuation of financial instruments is dependent on the categories to which the specific instruments belong, as defined in accordance with IAS 39. In the NOVOMATIC Group's balance sheet, the following financial instruments are disclosed:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities recognized at amortized cost
- Financial liabilities measured at fair value through profit or loss

#### **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted on tradable markets are recognized under this category. Such assets primarily include trade account receivables, loans and other receivables, as well as cash and cash equivalents. Loans and receivables are carried at amortized cost less impairment. Foreign currency receivables are valued using the prevailing rates as of the balance sheet date and the resulting currency translation differences are recognized in profit or loss.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that have been either designated as such or not classified in any of the other categories in accordance with IAS 39. These include securities, investments in affiliated, non-consolidated entities and other participating interests. The valuations of available-for-sale assets are carried at fair value.

The valuation of securities is done to correspond with market values – the values of which can be derived from quoted market prices on the balance sheet date. Any changes in value resulting from fluctuations in fair value are recognized in other comprehensive income, accumulated under changes in revaluation reserve (IAS 39). When the investment is impaired, the cumulative gains or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

In some cases, the valuation of holdings in affiliated, non-consolidated entities and other participating interests cannot be reliably determined. Therefore, such assets are carried at amortized cost less impairment. If the reasons for the impairment no longer exist, the assets will be appreciated up to the maximum of their original acquisition costs.

#### **Financial liabilities recognized at amortized cost**

Financial liabilities, which include bonds, borrowings from banks and other liabilities, are carried at amortized cost. Non-current liabilities are discounted using the effective interest method, with the interest expense, calculated in accordance with the effective interest rate, recognized in profit or loss. Foreign currency liabilities are valued using the prevailing rates on the balance sheet date and the resulting currency translation differences are recognized in profit or loss.

#### **Financial liabilities measured at fair value through profit or loss**

A financial liability is measured at fair value through profit or loss when it is classified as a derivative or contingent consideration.

The Group uses derivatives as hedging instruments against interest and currency risks. These derivatives are valued at fair value on the basis of generally accepted financial mathematical models. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative. This method of recognition applies to all derivatives within the Group, as they do not fulfill the criteria of a hedging relationship as prescribed in IAS 39. The principle of hedge accounting is not applicable.

For the initial recognition of contingent considerations in a business combination, the facts and circumstances surrounding the contingent consideration that existed at the time of acquisition are disclosed. Subsequent valuation is measured at fair value through profit or loss.

#### **Impairment of financial assets**

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected negatively. Losses expected to arise from possible future events, regardless of their likelihood of occurrence, cannot be recognized.

For the purposes of determining the recoverability of receivables, the creditworthiness of customers, existing collaterals, changes in payment history and behavior, and past experiences, are taken into account. Expected default risks are calculated into value adjustments or write-downs.

#### **Recognition and derecognition**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Recognition and derecognition are booked at the trading date.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset along with all significant risks and rewards associated with ownership of the asset to another entity.

The Group derecognizes a financial liability when the Group's obligations related to that financial liability have been discharged or cancelled, or have expired.

#### **Provisions**

Provisions for pensions or similar obligations, as well as provisions for severance and jubilee payments, are measured according to the regulations of IAS 19 using the projected unit credit method. The costs of the estimated benefit entitlements are allocated over the whole period of employment. Future increases in remuneration are taken into account. Actuarial gains and losses concerning provisions for severance payments and pensions are recognized in other comprehensive income or charged against income when it comes to jubilee payments. Past service costs are recognized as an expense at the time of plan adjustment. Provisions correspond to the present value of the obligations (DBO). The accrued amounts are based on the expert opinion of qualified actuaries as of the balance sheet date.

Other provisions are stated at the amount necessary to cover uncertain payment obligations and result from careful consideration of all the facts involved.

#### **Contingent liabilities**

Contingent liabilities are possible current obligations that arise from past events, where an outflow of resources is nonetheless not probable. If in rare cases, a present obligation is not recognized in the consolidated financial statements as a provision because the amount of the obligation cannot be measured with sufficient reliability, this is also classified as contingent liability. Contingent liabilities are not stated in the consolidated balance sheet but are disclosed in the consolidated notes.

## Revenue and expense recognition

The Group recognizes revenues from the sale and rental of gaming machines, from the operation of gaming halls and electronic gaming machine casinos, as well as from online gaming and from betting. Revenues from the sale of gaming machines are recognized when the products are delivered and risk and ownership have passed to the customer. Rental revenues are recognized at the rendering of service; obtained special rent payments are deferred on a straight-line basis over the service performance period (basic rental period). Revenues from the operation of gaming halls and electronic gaming machine casinos are shown as the net amount of the bets placed by customers and the payouts received by them and are recognized at the time of settlement. In cases where the supply and networking of account settlement systems represent the core business activity, the consideration received is shown as revenue. Revenue from online gaming is recognized as soon as the underlying games have taken place or the service has been provided. Betting income is recognized according to the number of bets placed up to the balance sheet date, insofar as the underlying bets have already taken place. Revenues from betting operations are shown as net amounts resulting from bets and payouts from betting. Operating expenses are recognized when incurred or at the date of use of the service.

## Financial result

Interest expense is comprised of interest accrued on debt financing and finance leases. Other finance cost relates to the impairment of financial assets, losses on the disposal of financial assets and expenses related to derivatives.

Interest income includes realized interest income from the investment in funds and investments in financial assets. Other finance income is comprised of dividends and similar income, profits from the sale of financial assets and income from derivatives.

Foreign currency effects resulting from intragroup financing are stated separately in the financial result, because of their close connection to financing activities.

## Taxes

The income tax expense disclosed is comprised of the income tax payments by each subsidiary based on its taxable profit for the year and calculated using the applicable tax rate for the respective jurisdiction ("actual taxes"), as well as of changes in the deferred taxes.

Deferred taxes are accounted for using the balance sheet liability method and are recognized for temporary differences arising between the carrying amounts stated in the consolidated balance sheet as per IFRS and the corresponding tax base used on the balance sheet of the subsidiary. Furthermore, the probable tax advantages resulting from tax loss carried forward are also taken into account for the determination of deferred taxes. Temporary differences arising from non-deductible goodwill or (under certain circumstances) from the initial recognition of an asset or liability are not recognized.

Deferred tax assets and liabilities are shown net in the Group if a right of set-off exists and the taxes relate to taxpayers in the same tax group.

Average tax rates used by Group companies are:

Country	2015 tax rate	2014 tax rate
Albania	15 %	15 %
Argentina	35 %	35 %
Bosnia and Herzegovina	10 %	10 %
Bulgaria	10 %	10 %
Chile	22.5 % and 24 %	21 %
Costa Rica	10 %	10 %
Curacao	2 %	2 %
Denmark	22 % and 23.5 %	23 %
Germany	15.825 %–57.2 %	15.825 %–57.2 %
Ghana	25 %	27 %
Gibraltar	10 %	0 %
Great Britain	18 % and 20 %	20 % -21 %
Guatemala	7 %	7 %
Iceland	20 %	20 %
Italy	24 %–31.4 %	27.5 % and 31.4 %
Canada	15 %	0 %
Colombia	34 %	34 %
Kosovo	10 %	10 %
Croatia	20 %	20 %
Latvia	15 %	15 %
Lithuania	15 %	15 %
Malta	5 % and 35 %	5 %
Macedonia	10 %	0 % and 10 %
Mexico	30 %	30 %
Montenegro	9 %	9 %
Netherlands	25 %	25 %
Austria	25 %	25 %
Paraguay	10 %	10 %
Peru	28 %	30 %
Poland	19 %	19 %
Romania	16 %	16 %
Russia	0 % and 20 %	0 % and 20 %
San Marino	17 %	17 %
Switzerland	8.5 %	8.5 %
Serbia	15 %	15 %
Slovakia	22 %	19 %
Spain	25 % and 28 %	28 %–30 %
South Africa	28 %	28 %
Ukraine	18 %	18 %
Hungary	10 %	10 %
United States	40 %	40 %
Belarus	18 %	18 %

## Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The NOVOMATIC Group uses the following hierarchy to allocate certain assets and/or liabilities, which are either to be stated at fair value or at least where the fair value has to be disclosed, to a certain measurement method:

Level 1: Measurement on the basis of quoted (unadjusted) prices in active markets.

Level 2: Measurement on the basis of market prices for similar instruments or on the basis of valuation methods, relying solely upon parameters observable in the market.

Level 3: Measurement on the basis of parameters that significantly affect the fair value and are not based on observable market data.

In the face of varying influencing factors, the fair values presented can only be considered as indicators of the values that could actually be generated on the market.

## Estimates and adjustments

For the preparation of the financial statements, assumptions and estimates were made that influence the amount of assets and liabilities, income and expenses, for the review period. Even under a high degree of diligence, these assumptions may differ from the actual circumstances.

For the following situations, the assumptions made at the balance sheet date are of particular importance:

The assessment of recoverability of intangible and tangible assets is based on assumptions for the future. For the impairment tests, several assumptions to determine the recoverable amount are taken into account. Of particular importance are future cash flows as well as the discount rate. Cash flow predictions are based on financial plans approved by the management. In addition, assumptions for the presence of indicators for impairments or the reversal of impairments are necessary.

Concerning the purchase price allocations performed for business combinations, assumptions are made concerning the existence and valuation of assets (in particular intangible assets), liabilities and contingent liabilities received. The evaluation of their fair value is based on several different assumptions, especially for future cash flows and the discount rate. For the evaluation of contingent considerations, assumptions are made concerning the probability of achieving the defined objectives.

Assumptions are necessary for estimating the useful life of tangible and intangible assets.

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable income will be generated in future periods to utilize deductible temporary differences or existing tax loss carryforwards.

The fair value of financial assets (if reliably determinable), as well as derivative, is derived based on market information available on the balance sheet date. In the face of varying influencing factors, the values disclosed may deviate from values realized at a later point in time.

Concerning the valuation of inventories, assumptions must be made regarding market development and economic exploitability.

Concerning receivables, individual value adjustments are made based on assumptions about the probability of default.

Additionally, the preparation of financial statements requires that assumptions be made about future developments. Concerning social capital obligations, assumptions are made about the employees' retirement age and life expectancy as well as about future pension and salary increases.

The assumptions upon which estimates are based are subject to constant scrutiny and adjustment.

## Notes to the Consolidated Balance Sheet

### (1) Intangible assets EUR m

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2014	102.4	18.6	219.7	48.8	97.9	52.0	539.3
Currency translation adjustments	-2.7	1.0	2.2	0.8	0.2	0.0	1.6
Acquisitions through business combinations	40.9 <sup>1</sup>	12.6	40.4	12.1 <sup>1</sup>	18.2 <sup>1</sup>	5.1	129.4
Additions	0.0	0.2	1.1	0.0	16.0	13.8	31.0
Disposals	-0.2	-0.4	-6.8	0.0	-6.1	-3.5	-16.9
Reclassifications	0.0	0.0	-0.7	0.0	0.7	0.6	0.5
<b>As of 12/31/2014</b>	<b>140.5</b>	<b>32.0</b>	<b>255.8</b>	<b>61.8</b>	<b>126.9</b>	<b>68.0</b>	<b>685.0</b>
Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2015	140.5	32.0	255.8	61.8	126.9	68.0	685.0
Currency translation adjustments	1.4	1.0	2.0	3.5	1.1	0.1	9.1
Acquisitions through business combinations	27.5	2.1	62.2	26.4	4.8	1.0	124.1
Additions	0.0	0.0	1.7	0.0	6.5	8.8	17.1
Disposals	-1.9	-3.6	-3.4	0.0	-5.9	-5.6	-20.4
Reclassifications	0.0	-0.3	0.7	0.0	0.4	-0.7	0.1
<b>As of 12/31/2015</b>	<b>167.5</b>	<b>31.3</b>	<b>319.1</b>	<b>91.7</b>	<b>133.8</b>	<b>71.6</b>	<b>814.9</b>
Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2014	23.4	6.6	79.0	3.9	54.4	23.6	190.9
Currency translation adjustments	0.0	0.0	0.2	0.0	0.0	-0.1	0.2
Acquisitions through business combinations	0.5	0.0	0.0	0.0	0.4	2.6	3.5
Additions	0.0	0.9	16.6	4.6	16.7	6.8	45.5
Impairment	10.6	2.3	6.0	0.0	0.0	0.0	18.9
Disposals	0.0	0.0	-4.8	0.0	-3.2	-2.0	-10.0
Reclassifications	0.0	0.0	-0.4	0.0	0.2	0.4	0.2
Impairment reversals	0.0	0.0	-2.9	0.0	0.0	0.0	-2.9
<b>As of 12/31/2014</b>	<b>34.5</b>	<b>9.8</b>	<b>93.7</b>	<b>8.6</b>	<b>68.5</b>	<b>31.3</b>	<b>246.3</b>
Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2015	34.5	9.8	93.7	8.6	68.5	31.3	246.3
Currency translation adjustments	0.0	0.1	0.0	0.3	0.1	0.0	0.5
Acquisitions through business combinations	0.0	0.0	0.1	0.0	0.1	0.0	0.2
Additions	0.0	0.9	18.8	6.6	21.6	6.4	54.3
Impairment	8.0	2.2	3.5	0.1	0.2	1.6	15.7
Disposals	-0.3	0.0	-3.3	0.0	-4.4	-0.8	-8.9
Reclassifications	0.0	-0.2	0.7	0.0	0.2	-0.7	0.1
Impairment reversals	0.0	0.0	-0.7	-0.1	0.0	0.0	-0.8
<b>As of 12/31/2015</b>	<b>42.2</b>	<b>12.9</b>	<b>112.7</b>	<b>15.5</b>	<b>86.4</b>	<b>37.8</b>	<b>307.4</b>
<b>Carrying amounts as of 12/31/2014</b>	<b>106.0<sup>1</sup></b>	<b>22.2</b>	<b>162.2</b>	<b>53.2<sup>1</sup></b>	<b>58.4<sup>1</sup></b>	<b>36.7</b>	<b>438.6</b>
<b>Carrying amounts as of 12/31/2015</b>	<b>125.3</b>	<b>18.4</b>	<b>206.3</b>	<b>76.2</b>	<b>47.4</b>	<b>33.8</b>	<b>507.5</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

## Goodwill

Goodwill is allocated to the following groups of cash-generating units:

EUR m	12/31/2015	12/31/2014
Gaming Technology – Online	10.1	7.0
Gaming Technology – Italy	19.4	19.0
Gaming Technology – Netherlands	0.0	7.1
Gaming Technology – Spain	4.5	4.5
Gaming Operations – Germany	12.4	5.1
Gaming Operations – Online	10.3	5.9
Gaming Operations – Netherlands	4.8	4.8
Gaming Operations – United Kingdom	27.8	24.9
Gaming Operations – Italy	7.6	2.5
Mobile Virtual Network	4.4	4.4
Other	24.0	20.8
<b>Total</b>	<b>125.3</b>	<b>106.0</b>

Goodwill with a single value below EUR 4.0 million is summarized under "Other."

## Intangible assets with indefinite useful lives

The intangible assets comprise licenses with an indefinite useful life amounting to EUR 61.5 million (previous year: EUR 50.3 million) and trademarks with an indefinite useful life amounting to EUR 10.9 million (previous year: EUR 16.1 million). The licenses and trademarks are allocated to the following groups of cash-generating units. Single values below EUR 4.0 million are summarized under "Other".

Licenses EUR m	12/31/2015	12/31/2014
Gaming Operations – Latvia	18.6	18.6
Gaming Operations – United Kingdom	40.1	29.9
Other	2.9	1.8
<b>Total</b>	<b>61.5</b>	<b>50.3</b>

Trademarks EUR m	12/31/2015	12/31/2014
Gaming Operations – United Kingdom	9.8	9.4
Other	1.1	6.7
<b>Total</b>	<b>10.9</b>	<b>16.1</b>

The useful life of the preceding intangible assets is indefinite because there is no prospect of an end to their economic use.

## Impairments and reversals of impairments

The recoverable amount is the higher value of the fair value less costs to sell and the value-in-use. Where capitalized earnings methods are applied, cash flow projections for a three-year period based on financial plans approved by the management are used. The cash flow projections are based on the detailed budget for the following fiscal year as well as forecasts for the subsequent two years derived therefrom. The main assumptions are based on the previous fiscal year, experiences of comparable businesses and



the overall economic development. During the planning period, these base values are increased by development improvements estimated by the management in light of comparable projects, market potentials and risks. In substantiated cases, the cash flow projections are extended to a period of up to 5 years.

Cash flows occurring after this detailed planning period of between three and five years are calculated on the basis of a perpetual annuity with a growth rate of 0.00 percent to 1.90 percent. The discount rates used for the cash flow forecasts are pre-tax interest rates and they take respective country-specific risks into consideration.

Groups of cash-generating units	Discount rate
Gaming Technology – Online	10.13 %
Gaming Technology – Italy	15.05 %
Gaming Technology – Netherlands	6.57 %
Gaming Technology – Spain	14.55 %
Gaming Operations – Germany	13.31 %
Gaming Operations – Online	14.19 %
Gaming Operations – Netherlands	11.06 %
Gaming Operations – United Kingdom	11.07 %
Gaming Operations – Italy	15.47 %
Mobile Virtual Network	13.95 %
Other	6.57 % to 20.58 %

For the (group of) cash-generating units “Gaming Technology – Spain” the fair value exceeded the book value by EUR 3.7 million. If the discount rate were to increase to 15.95 percent, the exceeding amount would be consumed. For the (group of) cash-generating units “Gaming Operations – United Kingdom” the fair value exceeded the book value by EUR 0.8 million. An increase in the discount rate to 11.19 percent or a decline in the growth rate by 0.18 percentage points to 1.72 percent would consume this exceeding amount.

The comparison of book values with the recoverable amounts for the (groups of) cash-generating units that was undertaken as part of the annual impairment test for goodwill and intangible assets with indefinite useful lives, which was carried out on September 30, 2015, resulted in an impairment in the amount of EUR 10.1 million (previous year: EUR 12.7 million) due to business not having developed as expected. Impairments made concern the Gaming Technology segment to an amount of EUR 7.1 million and the Gaming Operations segment to an amount of EUR 3.0 million. Goodwill resulting from acquisitions completed after September 30, 2015, was tested as of the balance sheet date on December 31, 2015. No required impairment was identified. The recognized recoverable amounts of the (groups of) cash-generating units, therefore, correspond to Level 3 of the valuation hierarchy.

During the past years, a required impairment was determined for the three German companies that are operating in the commercial automated games industry. During fiscal year 2015, a renewed evaluation of the German gaming venues was undertaken. This impairment test was performed together with external service providers and its scope included all slot arcades run by the operating companies active in the area of commercial machine gaming. The main focus was on scenarios involving site shutdowns and the withdrawal of concessions. The impact of more restrictive legal interpretations on the gaming facilities was investigated. In total, the identified impairment loss for all three companies amounted to EUR 3.6 million. The largest share of this relates to the impairment of the rights of use of the gaming arcades (disclosed under “Licenses” within the intangible assets), as well as an impairment of property, plant and equipment (in particular land and buildings, as well as factory and office equipment). The reevaluation led to the conclusion that a reversal of impairment was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the identified reversal of the impairment for all three companies amounted to EUR 2.8 million.

Impairment tests carried out in previous years also led to an impairment for Italian Group companies within the Gaming Operations segment. During fiscal year 2015, a renewed evaluation of the Italian gaming facilities was carried out, which resulted in required impairment losses of EUR 5.8 million (thereof EUR 0.9 million goodwill). This impairment was almost entirely recorded in the item "Property, plant and equipment". The reevaluation came to the conclusion that for certain gaming facilities a reversal of impairment was required, as the assessment regarding the impact on the individual location had changed. The according reversal of impairment amounted to EUR 4.8 million.

Due to the revocation of the decisions regarding casino licenses, impairment losses amounting to EUR 6.3 million were recorded for the planned casino locations in Vienna and Lower Austria during fiscal year 2015. An impairment of EUR 2.5 million was applied to a property in Baden where the selling price has already been determined.

## Research and development expenses

Internally generated intangible assets are only capitalized if the criteria stipulated by IAS 38.57 are fulfilled. For the reporting year, non-capitalizable development costs have been charged against income in the amount of EUR 82.5 million (previous year: EUR 75.5 million) as personnel costs and other expenses, as well as depreciation and amortization on property, plant and equipment, and intangible assets.

## (2) Property, plant and equipment EUR m

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2014	616.3	756.9	291.4	12.5	1,677.2
Currency translation adjustments	1.2	-6.3	1.0	0.0	-4.0
Acquisitions through business combinations	12.4	24.5	18.9	0.0	55.9
Additions	25.8	137.2	44.9	14.8	222.6
Disposals	-31.4	-103.2	-30.3	-2.6	-167.5
Reclassifications	5.4	0.0	2.2	-8.2	-0.5
<b>As of 12/31/2014</b>	<b>629.9</b>	<b>809.2</b>	<b>328.1</b>	<b>16.5</b>	<b>1,783.7</b>

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2015	629.9	809.2	328.1	16.5	1,783.7
Currency translation adjustments	1.1	2.4	1.9	0.0	5.4
Acquisitions through business combinations	9.7	42.0	27.2	0.0	79.0
Additions	39.6	176.6	53.4	21.7	291.2
Disposals	-38.0	-127.6	-32.7	-7.7	-206.0
Reclassifications	2.9	3.5	-0.4	-6.5	-0.5
<b>As of 12/31/2015</b>	<b>645.2</b>	<b>906.2</b>	<b>377.6</b>	<b>24.0</b>	<b>1,952.9</b>

Cumulative depreciation and amortization	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2014	225.9	464.2	174.9	2.0	866.9
Currency translation adjustments	0.1	-7.4	0.6	0.0	-6.7
Acquisitions through business combinations	5.6	11.1	13.6	0.0	30.2
Additions	35.6	130.0	37.1	2.5	205.2
Impairment	20.1	0.2	3.9	0.0	24.3
Disposals	-16.2	-88.9	-22.8	-0.1	-128.0
Reclassifications	-0.5	1.3	0.7	-1.6	-0.2
Impairment reversals	-4.8	-0.4	-0.5	-1.4	-7.1
<b>As of 12/31/2014</b>	<b>265.7</b>	<b>510.1</b>	<b>207.4</b>	<b>1.4</b>	<b>984.7</b>

Cumulative depreciation and amortization	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2015	265.7	510.1	207.5	1.4	984.7
Currency translation adjustments	0.2	-0.8	1.1	0.0	0.5
Acquisitions through business combinations	3.7	11.0	14.3	0.0	29.0
Additions	34.0	132.4	41.3	3.8	211.5
Impairment	8.6	0.2	3.1	6.4	18.3
Disposals	-18.4	-101.9	-21.9	-0.3	-142.6
Reclassifications	0.4	2.6	-0.4	-2.7	-0.1
Impairment reversals	-5.3	-1.4	-1.7	-1.8	-10.2
<b>As of 12/31/2015</b>	<b>288.9</b>	<b>552.1</b>	<b>243.3</b>	<b>6.9</b>	<b>1,091.2</b>

<b>Carrying amounts as of 12/31/2014</b>	<b>364.2</b>	<b>299.1</b>	<b>120.7</b>	<b>15.1</b>	<b>799.1</b>
<b>Carrying amounts as of 12/31/2015</b>	<b>356.3</b>	<b>354.0</b>	<b>134.3</b>	<b>17.1</b>	<b>861.7</b>

Plant and machinery contains slot machines with a book value of EUR 342.2 million (previous year: EUR 286.6 million) for the Group's own operations and rental.

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) in the amount of EUR 5.9 million (previous year: EUR 5.9 million).

Concerning the impairment of tangible assets, we refer to the explanations in note (1).

## Finance Lease

NOVOMATIC Group as lessee:

The carrying amount of intangible assets held under finance lease aggregates at EUR 3.9 million (previous year: EUR 4.5 million). These lease contracts concern platforms that are disclosed under other intangible assets. The term of the leases is 4 years.

The carrying amount of the Group's property, plant and equipment held under finance lease totals EUR 0.2 million (previous year: EUR 1.3 million). The tangible assets held under finance lease comprise plant and machinery, office equipment and vehicles. The terms of the finance lease contracts lie between 3 and 5 years.

The carrying amount of the Group's investment property held under finance lease adds up to EUR 10.5 million (previous year: EUR 12.9 million). After the expiration of the agreement, ownership of the property will be transferred to the Group.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Within one year	1.8	2.1	1.8	2.0
Between one and five years	5.4	6.5	5.0	6.0
Over five years	0.0	0.0	0.0	0.0
<b>Total</b>	<b>7.3</b>	<b>8.6</b>	<b>6.8</b>	<b>7.9</b>
Minus prospective financing costs	-0.5	-0.7		
<b>Present value of lease obligations</b>	<b>6.8</b>	<b>7.9</b>		

NOVOMATIC Group as lessor:

The Group concludes finance lease agreements for slot machines. The average term of the concluded finance lease agreements is between 1 and 3 years.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Within one year	14.2	8.7	13.0	7.3
Between one and five years	10.5	11.5	9.1	10.4
Over five years	0.0	0.0	0.0	0.0
<b>Total</b>	<b>24.8</b>	<b>20.2</b>	<b>22.2</b>	<b>17.7</b>
Minus prospective financing income	-2.6	-2.5		
<b>Present value of lease receivables</b>	<b>22.2</b>	<b>17.7</b>		

## Operating Lease

NOVOMATIC Group as lessee:

The Group has mainly entered lease agreements regarding the use of property (gaming halls). The following obligations arise from irredeemable agreements:

EUR m	12/31/2015	12/31/2014
For the next year	53.0	53.0
For the second to and including the fifth year	125.1	123.8
Over five years	46.1	53.9

NOVOMATIC Group as lessor:

The Group concluded contracts for the rental of gaming machines with mainly irredeemable terms between 12 and 24 months. The gaming machines are shown in the tangible fixed assets as plant and machinery. The rent payments during the reporting period are shown as sales under income from rent and management services. Within the rent payments, conditional lease payments amount to EUR 189.8 million (previous year: EUR 166.9 million).

The claims for future minimum lease payments from operating leasing rates present themselves as follows:

EUR m	12/31/2015	12/31/2014
For the next year	79.1	118.8
For the second to and including the fifth year	12.6	23.2
Over five years	0.4	0.3

## (3) Investment property

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	18.8	19.2
Currency translation adjustments	0.1	0.1
Changes in scope of consolidation	0.0	0.0
Additions	0.0	0.0
Impairments	-1.9	0.0
Disposals	0.0	0.0
Reclassifications	0.5	0.0
Reclassification as held for sale	1.7	0.0
Depreciation	-0.6	-0.6
Impairment reversals	0.0	0.1
<b>Balance as of 12/31</b>	<b>18.7</b>	<b>18.8</b>

Investment property denotes land and buildings held but not used in business operations. The gross carrying amount totals EUR 32.7 million (previous year: EUR 28.4 million) and the accumulated depreciation amounts to EUR 14.0 million (previous year: EUR 9.5 million). For the determination of the fair value, external valuation reports from independent regional experts were obtained in the reporting year 2015. The fair value (fair value hierarchy – level 3) amounts to a total of EUR 21.7 million (previous year: EUR 24.5 million).

Both income and expenditures from investment property were insignificant.

#### (4) Investments in associated companies

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	0.2	76.9
Currency translation adjustments	0.0	-1.7
Share of post-acquisition profits	0.0	2.0
Disposals	0.0	-77.0
<b>Balance as of 12/31</b>	<b>0.2</b>	<b>0.2</b>

The companies recognized at equity on the consolidated balance sheet are shown in the investment schedule. The following table shows the basic data from the balance sheet and income statement of the companies recognized at equity, whereas the data corresponds to 100 percent and not to the percentage of shares owned by NOVOMATIC Group in associated companies:

EUR m	12/31/2015	12/31/2014
Assets	11.5	11.8
Liabilities	10.2	10.3
Revenues	0.7	0.9
Results	-0.1	0.1

#### (5) Financial Assets

EUR m	12/31/2015	12/31/2014
Investments in affiliated companies, non-consolidated	6.9	7.5
Securities	7.8	7.1
Other investments	189.4	0.5
<b>Total</b>	<b>204.1</b>	<b>15.1</b>

Through the acquisition of LTB Beteiligungs GmbH, RSV Beteiligungs GmbH and BAIH Beteiligungsverwaltungs GmbH, the NOVOMATIC Group also acquired an indirect interest of 23.11 percent of Österreichische Lotterien Gesellschaft mbH (ÖLG). This financial investment is disclosed under "Other investments", as there is no significant influence.

The fair value of investments in affiliated companies and other investments (except for ÖLG) cannot be reliably evaluated; therefore, they are valued at their acquisition costs less any possible impairment.

The securities classified as available-for-sale primarily comprise stocks and promissory notes. They are not subject to any restraint of disposal. The carrying amount of securities available-for-sale corresponds to the fair value.

**(6) Taxes**

## Current taxes:

EUR m	12/31/2015	12/31/2014
Current tax receivables	30.5	27.9
Non-current tax liabilities	18.3	19.3
Current tax liabilities	27.8	40.6

## Deferred taxes:

EUR m	12/31/2015	12/31/2014
Deferred tax assets	94.3	96.5
Deferred tax liabilities	-70.4	-58.6 <sup>1)</sup>
<b>Total</b>	<b>23.9</b>	<b>38.0</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

Deferred tax assets and liabilities result from the following temporary valuation and accounting differences between the carrying amounts of the financial statement prepared according to IFRS and their respective tax bases.

EUR m	12/31/2015	12/31/2014
Intangible assets	-50.2	-32.0 <sup>1)</sup>
Property, plant and equipment	30.1	22.9 <sup>1)</sup>
Financial assets	6.9	3.1
Other non-current assets	-1.3	-3.9
Inventories	6.5	8.7
Current financial assets	1.4	-2.2
Trade and other receivables	-0.1	0.9
Non-current financial liabilities	1.3	1.4
Other non-current liabilities	0.2	0.1
Non-current provisions	7.0	7.9
Current financial liabilities	0.4	0.3
Current provisions	0.2	0.9
Trade payables and other liabilities	5.5	4.8
Tax loss carryforward	16.2	25.2
<b>Total</b>	<b>23.9</b>	<b>38.0</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

## Income tax charged directly to equity:

EUR m	2015	2014
Revaluation of available-for-sale financial instruments	2.6	2.7
Revaluation of the net defined benefit liability	2.7	2.5

EUR 10.0 million (previous year: EUR 24.6 million) of deferred taxes are classified as non-current and EUR 13.9 million (previous year: EUR 13.4 million) as current.

In accordance with IAS 12, deferred tax assets on the accumulated loss carried forward adding up to EUR 16.2 million (previous year: EUR 25.2 million) were recognized because they can be offset against taxable income in the future. Tax assets are netted with tax liabilities if they concern the same tax authority, and if the right and intention to offset exist.

In 2015, subsidiaries that incurred losses in the prior year or the years before have carried forward tax losses of EUR 201.3 million (previous year: EUR 159.3 million) that can no longer be utilized. Of the carried forward tax losses that are still utilizable – the value of which is EUR 47.9 million (previous year: EUR 34.8 million) – EUR 2.1 million will expire in 2016 (previous year: EUR 0.2 million in 2015) and EUR 45.9 million will expire in 2017 ff (previous year: EUR 34.6 million in 2016 ff).

Dividends from investments in domestic and foreign companies are generally tax-exempt at the level of the Austrian parent company. In Estonia, an elevated tax rate is applied at the Group level in case of a disbursement. Since no disbursements are expected from the subsidiaries in this country in the near future, this has no effect on the Group.

No deferred tax liability was recognized on the temporary differences resulting from the proportionate IFRS equity values and the tax base of the subsidiaries amounting to EUR 990.7 million (previous year: EUR 1,034.8 million) since those temporary differences will probably not be reversed in the near future.

## (7) Other non-current assets

EUR m	12/31/2015	12/31/2014
Loans	50.5	48.7
Accounts receivable from finance lease	9.1	10.4
Purchase price receivables	7.9	6.4
Deposits with gaming authorities	21.9	18.6
Miscellaneous other non-current assets	21.9	27.0
<b>Total</b>	<b>111.3</b>	<b>111.1</b>

## (8) Inventories

EUR m	12/31/2015	12/31/2014
Raw materials and supplies	76.5	76.3
Work in progress	22.9	24.0
Finished goods and trade goods	89.3	74.5
Prepayments	3.2	4.7
<b>Total</b>	<b>191.9</b>	<b>179.4</b>

The inventory total includes inventory write-downs amounting to EUR 65.3 million (previous year: EUR 53.0 million).



**(9) Trade receivables, other receivables and assets**

EUR m	12/31/2015	12/31/2014
Trade receivables	201.6	170.8
Receivables from non-consolidated affiliated companies	5.3	1.6
Prepaid expenses	36.9	31.2
Purchase price receivables	32.5	18.8
Precious metals	31.4	31.8
Other tax receivables, excluding income taxes	11.4	5.3
Other current receivables and assets	40.1	29.9 <sup>1)</sup>
<b>Total</b>	<b>359.2</b>	<b>289.4</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

The reported trade receivables include impairments amounting to EUR 31.7 million (previous year: EUR 32.4 million). The impairment expenses for the reporting period are recognized as other operating expenses in the income statement.

The age structure of the trade receivables is as follows:

EUR m	12/31/2015	12/31/2014
Receivables without valuation allowance		
not overdue	89.7	59.4
overdue up to 3 months	25.7	24.7
overdue between 3 and 6 months	6.0	7.7
overdue for more than 6 months	9.8	11.1
Receivables with valuation allowance	70.3	67.9
<b>Total</b>	<b>201.6</b>	<b>170.8</b>

The trade receivables shown above disclose the amounts that are overdue as of the balance sheet date. The Group has not created any provisions for write-downs for these amounts, as no material changes to the creditworthiness have been detected and recoverability of outstanding amounts is also expected.

The receivables from non-consolidated affiliated companies include trade receivables of EUR 2.9 million (previous year: EUR 0.1 million).

Precious metals with a book value of EUR 31.4 million (previous year: EUR 31.8 million) are valued at their market price (fair value hierarchy – level 2). Changes in value due to the subsequent valuation of precious metals amounting to EUR -0.4 million (previous year: EUR 3.7 million) are accounted for as other operating income or expenses.

Other current receivables and assets are comprised primarily of the offset with payment service providers, prepayments and deferred income. The carrying values of trade and other receivables approximate their fair values.

**(10) Current financial assets**

EUR m	12/31/2015	12/31/2014
Securities	10.7	13.2
Loans	3.7	5.3
Accounts receivable from finance lease	13.0	7.3
Derivatives	4.1	0.0
Other current financial assets	0.7	3.2
<b>Total</b>	<b>32.3</b>	<b>29.0</b>

The carrying values of current financial assets approximate their fair values.

**(11) Cash and cash equivalents**

EUR m	12/31/2015	12/31/2014
Cash	111.6	103.1
Bank balances	473.8	524.1
<b>Total</b>	<b>585.4</b>	<b>627.2</b>

The major part of the stated cash is tied up as cash reserves and base filling of the gaming machines at the various gaming establishments.

Due to a legal dispute between Italian competitors and the Italian gaming authority, the competent court decided that all Italian concessionaires (i.e. including ADMIRAL Gaming Network S.r.l., a NOVOMATIC Group company), should not pay a part of their gaming taxes to the competent authority until the matter has been settled, but must rather deposit these amounts in a specifically designated bank account. For NOVOMATIC, this results in a temporary increase in tax liabilities as well as cash and cash equivalents. The disclosed bank balances, therefore, include an amount of EUR 82.9 million restricted for this purpose.

The bank balances furthermore include a partial amount of EUR 65.3 million, which has been deposited for the potential acquisition of direct and indirect shares in Casinos Austria Aktiengesellschaft. Further details on the planned acquisition can be found in the management report.

The book value of cash and cash equivalents equals their fair value.

**(12) Assets held for sale**

The Group decided to sell a company whose assets consist mainly of a developed property and had already initiated the selling process. In accordance with IFRS 5, all assets and liabilities of the related company are classified as held for sale. Unfavorable market conditions in the related country, however, have had an adverse effect on the sales process, so that a successful sale within an appropriate time frame is currently not foreseeable. As a result, the criteria stipulated by IFRS 5 are no longer met. Therefore, the property is reclassified from non-current assets held for sale to investment property, with a book value of EUR 1.7 million.

The final amount of non-current assets held for sale includes a property in Hungary.

### **(13) Share capital**

As in the previous year, the share capital of EUR 26.0 million is fully paid in and divided into 26,000,000 registered no-par value shares. Each share corresponds to EUR 1.0 of the share capital.

### **(14) Capital reserves**

The capital reserves of EUR 1.0 million are tied-up reserves.

### **(15) Retained earnings**

The retained earnings consist of the Group's consolidated profit for the year and of the accumulated profits from previous periods. The retained earnings also include an amount of EUR 1.6 million which, combined with the tied-up capital reserves of EUR 1.0 million to make EUR 2.6 million, represents the tied-up reserves of 10 percent of the share capital according to section 229 para 4 of the Austrian Commercial Code. Retained earnings also comprise of the reevaluation of net debt from defined benefit obligations amounting to EUR -7.9 million (previous year: EUR -7.3 million), whereby the change of EUR -0.6 million (previous year: EUR -2.0 million) is stated in other comprehensive income.

### **(16) Revaluation reserve**

The revaluation of financial instruments available for sale is stated in the revaluation reserve. The financial instruments amount to EUR -8.6 million (previous year: EUR -9.4 million), whereby the change of EUR 0.9 million (previous year: EUR -8.9 million) is stated in other comprehensive income.

### **(17) Currency translation adjustment**

Upon consolidation, differences from the translation of foreign subsidiaries at the exchange rates prevailing at the balance sheet date are transferred to this position. For fiscal year 2015, changes in the currency translation adjustment amount to EUR 7.0 million (previous year: EUR 1.5 million) in other comprehensive income. Due to deconsolidation, EUR 11.1 million (previous year: EUR 12.0 million) has been reclassified from other comprehensive income into the Consolidated Income Statement.

### **(18) Non-controlling interests**

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. The portion allocable to the non-controlling interests from the change of foreign currency translation adjustments of EUR -0.1 million (previous year: EUR 0.3 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

EUR m	12/31/2015			12/31/2014		
	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest
<b>Gaming Technology</b>						
Crown Gaming S.A.C., Peru	35 %	-1.4	3.8	35 %	-1.3	5.1
GiGames S.L., Spain	20 %	-0.5	7.1	20 %	-0.1	7.6 <sup>1</sup>
<b>Gaming Operations</b>						
Admiralu Klubs SIA, Latvia	40 %	2.7	17.1	40 %	2.1	14.8
Alfor SIA, Latvia	40 %	5.2	10.5	40 %	4.6	14.1
Automáticos Surmatic S.L., Spain	40 %	0.0	7.2	-	-	-
<b>Marginal non-controlling interest</b>		-1.6	4.1		-0.4	6.3
		<b>4.5</b>	<b>49.9</b>		<b>5.0</b>	<b>47.8</b>

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

The amounts held as non-controlling interest correspond to the voting rights.

A summary of financial information regarding Group subsidiaries with significant non-controlling interests (before Group-internal elimination) is presented in the following table:

EUR m	12/31/2015				
	Crown Gaming S.A.C., Peru	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia	Automáticos Surmatic S.L., Spain
<b>Balance Sheet</b>					
Non-current assets	33.9	20.1	41.4	29.6	23.2
Current assets	27.6	23.1	6.1	14.4	1.0
Non-current liabilities	14.8	7.4	3.4	1.9	5.1
Current liabilities	35.9	8.3	1.4	15.8	1.0
<b>Income Statement</b>					
Revenues	13.0	20.4	23.0	64.0	0.7
Annual profit	-4.0	-2.0	6.8	13.0	0.0
<b>Dividends paid to non-controlling interest</b>	0.0	0.0	0.4	8.8	0.0
<b>Cash Flow</b>					
from operating activities	2.7	0.5	10.4	27.9	-0.3
from investing activities	0.5	1.1	-2.2	-6.7	-9.7
from financing activities	2.9	-1.6	-0.4	-8.8	0.0
Net change in cash and cash equivalents	6.0	0.0	7.8	12.4	-10.0

EUR m	12/31/2014			
	Crown Gaming S.A.C., Peru	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia
<b>Balance Sheet</b>				
Non-current assets	32.3	23.1 <sup>1)</sup>	36.0	25.9
Current assets	21.1	26.1	5.2	14.6
Non-current liabilities	12.3	6.5 <sup>1)</sup>	3.3	1.5
Current liabilities	26.6	13.3	1.1	3.7
<b>Income Statement</b>				
Revenues	14.7	1.4	19.9	56.9
Annual profit	-2.3	-0.3	5.3	11.4
Dividends paid to non-controlling interest	0.0	0.0	0.8	0.8
<b>Cash Flow</b>				
from operating activities	7.5	-0.4	7.2	16.6
from investing activities	-0.2	-23.1	-1.7	-5.1
from financing activities	0.4	-0.4	-0.8	-0.8
Net change in cash and cash equivalents	7.7	-23.9	4.7	10.7

<sup>1)</sup> Adjustment of previous year's figures according to IFRS 3 "Business combinations"

During fiscal year 2015, the Group increased its share of ownership in some subsidiaries.

## (19) Non-current financial liabilities

EUR m	12/31/2015	12/31/2014
Bonds	592.0	593.1
Bank loans	443.4	35.3
Obligations under finance leases	5.0	6.0
Other long-term financial liabilities	3.3	2.2
<b>Total</b>	<b>1,043.7</b>	<b>636.5</b>

NOVOMATIC AG issued bonds with the following terms and conditions:

Nominal value	150 EUR m	250 EUR m	200 EUR m
Term	2010–2017	2013–2019	2014–2021
Denomination	EUR 500.–	EUR 500.–	EUR 500.–
Nominal interest rate	5.00 % p.a.	4.00 % p.a.	3.00 % p.a.
Coupon	10/27 every year	01/28 every year	06/23 every year
Redemption	10/27/2017 bullet	1/28/2019 bullet	6/23/2021 bullet
Closing price 12/31/2015	EUR 106.293	EUR 105.654	EUR 104.405
ISIN	AT0000A0KSM6	AT0000A0XSN7	AT0000A182L5

The bonds are listed on the second regulated market at the Vienna Stock Exchange. During the reporting period, NOVOMATIC AG redeemed, as scheduled, a bond with an emission volume of EUR 200 million that was due on January 22, 2015. In the previous year, this bond was classified as a current financial liability.

Bonds of the Group with a nominal value of EUR 6.2 million (previous year: EUR 16.9 million) were bought back. The partial book value of this repurchase has been deducted from bond liabilities, whereas the exceeding part of the repurchase price of EUR -0.5 million (previous year: EUR -0.8 million) has been accounted for in financial expenses.

The fair value of the bonds issued amounts to EUR 625.8 million (previous year: EUR 809.4 million, of which EUR 620.5 million were long-term and EUR 188.8 million were short-term).

The fair value of bank loans amounts to EUR 444.1 million (previous year: EUR 37.6 million). Bank loans with a term of 1 to 5 years amount to EUR 401.3 million (previous year: EUR 27.5 million) and those over five years to EUR 42.1 million (previous year: EUR 7.8 million).

The weighted average interest rate comes to 3.41 percent (previous year: 3.91 percent).

## (20) Non-current provisions

EUR m	12/31/2015	12/31/2014
Provision for severance payments	20.7	19.8
Provision for pensions	18.4	18.4
Provision for jubilee payments	4.8	4.8
Other long-term provisions	8.2	10.2
<b>Total</b>	<b>52.1</b>	<b>53.3</b>

### Provision for severance payments

Due to legal or collectively agreed obligations, employees in Austria and Italy are entitled to receive severance payments upon termination of employment or upon reaching normal retirement age. Such entitlements depend on their years of service and final compensation levels. For the future liabilities, provisions are generated according to actuarial principles. The amount of future obligations was calculated according to the regulations of IAS 19 in application of the projected unit credit method at a discount rate of 2.0 percent (previous year: 1.5 percent to 2.0 percent) and assuming a pay increase of 1.0 percent to 2.5 percent (previous year: 1.0 percent to 2.5 percent). The estimated retirement age refers to the earliest possible retirement age according to local legislation. Discounts due to fluctuations or other factors are not taken into account.

Expenses for severance payments recognized as personnel cost:

EUR m	12/31/2015	12/31/2014
Current service cost	3.1	3.0
Interest cost	0.3	0.4
Profit from the settlement	0.0	-1.3
<b>Expense for the year</b>	<b>3.4</b>	<b>2.1</b>

Provision for severance payments shown on the balance sheet:

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	19.8	25.5
<b>Amounts recognized in income statement</b>		
Current service cost (+)	3.1	3.0
Interest cost (+)	0.3	0.4
Profit from the settlement	0.0	-1.3
<b>Remeasurement of the period (other comprehensive income)</b>		
Actuarial gains/losses from the change in demographic assumptions	0.2	-0.3
Actuarial gains/losses from the change in financial assumptions	0.6	1.3
Payments (-)	-3.4	-8.7
Change in the consolidation scope	0.0	-0.1
<b>Present value of obligation as of 12/31</b>	<b>20.7</b>	<b>19.8</b>

Sensitivity analysis for severance payments:

EUR m	Change of the parameter	Change in the present value of obligation
		12/31/2015
Discount rate	+0.5 %	-0.6
Discount rate	-0.5 %	0.8
Salary increase	+0.5 %	0.7
Salary increase	-0.5 %	-0.6

As of December 31, 2015, the average maturity of severance obligations is 10 to 16 years (previous year: 10 to 17 years), depending on the country. Payments of EUR 2.4 million (previous year: EUR 3.0 million) are expected for the next fiscal year.

## Provision for pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to Executive Board members and employees beginning with the date of their retirement. The amounts of such entitlements depend on years of service and final compensation levels. The provision for pensions is calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 2.0 percent to 2.4 percent (previous year: 2.0 percent to 2.4 percent) and taking adjustments of values from 2.0 percent to 3.0 percent (previous year: 2.0 percent to 3.0 percent) into account.

Expenses for pensions recognized as personnel cost:

EUR m	12/31/2015	12/31/2014
Current service cost	0.1	0.5
Interest cost	0.4	0.4
Past service cost	0.0	2.8
<b>Expense for the year</b>	<b>0.5</b>	<b>3.8</b>

Provision for pensions shown on the balance sheet:

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	18.5	13.6
<b>Amounts recognized in income statement</b>		
Current service cost (+)	0.1	0.5
Interest cost (+)	0.4	0.4
Past service cost	0.0	2.8
<b>Remeasurement of the period (other comprehensive income)</b>		
Actuarial gains/losses from the change in financial assumptions	0.1	1.5
Payments (-)	-0.5	-0.5
Change in the consolidation scope	-0.1	0.0
<b>Present value of obligation as of 12/31</b>	<b>18.4</b>	<b>18.5</b>

Sensitivity analysis for pensions:

EUR m	Change of the parameter	Change in the present value of obligation
		12/31/2015
Discount rate	+0.5 %	-2.2
Discount rate	-0.5 %	2.7
Pension increase	+0.5 %	1.5
Pension increase	-0.5 %	-1.4

As of December 31, 2015, the average maturity of pension obligations is between 4 and 15 years (previous year: between 5 and 15 years), depending on the country. Payments of EUR 0.5 million (previous year: EUR 0.4 million) are expected for the next fiscal year.

## Provision for jubilee payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 2.0 percent to 2.9 percent (previous year: 1.9 percent to 3.45 percent) and a pay increase of 2.0 percent to 4.0 percent (previous year: 2.0 percent to 4.0 percent). A fluctuation discount based on an internal statistic concerning withdrawals of the previous 3 years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

Expenses for jubilee payments recognized as personnel cost:

EUR m	12/31/2015	12/31/2014
Current service cost	1.0	1.2
Interest cost	0.3	0.1
Past service cost	-0.4	0.0
Actuarial gains/losses	-0.2	-0.9
<b>Expense for the year</b>	<b>0.7</b>	<b>0.5</b>



Provision for jubilee payments shown on the balance sheet:

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	4.8	5.0
<b>Amounts recognized in income statement</b>		
Current service cost (+)	1.0	1.2
Interest cost (+)	0.3	0.1
Past service cost	-0.4	0.0
Actuarial gains/losses	-0.2	-0.9
Payments (-)	-0.7	-0.7
Change in the consolidation scope	-0.1	0.0
<b>Present value of obligation as of 12/31</b>	<b>4.8</b>	<b>4.8</b>

## Other long-term provisions

The other long-term provisions essentially concern provisions for anticipated losses and dismantling obligations. The development of other long-term provisions is shown below:

EUR m	12/31/2015	12/31/2014
Balance as of 01/01	10.2	8.2
Currency translation adjustments	0.2	0.2
Changes in scope of consolidation	0.3	2.9
Consumption	-1.5	-0.3
Release	-1.9	-2.6
Allocation	0.9	1.8
Reclassifications	0.0	0.0
Unwind of discount	-0.1	0.0
<b>Balance of provisions as of 12/31</b>	<b>8.2</b>	<b>10.2</b>

## (21) Other non-current liabilities

EUR m	12/31/2015	12/31/2014
Deferred income	0.6	0.6
Other non-current liabilities	4.7	5.0
Purchase price obligations	19.5	15.7
<b>Total</b>	<b>24.8</b>	<b>21.2</b>

Purchase price obligations comprise contingent considerations from business combinations as well as obligations from written put options for non-controlling interests.

**(22) Current financial liabilities**

EUR m	12/31/2015	12/31/2014
Bond	0.0	187.7
Short-term bank liabilities	33.6	79.1
Short-term obligations under finance leases	1.8	2.0
Short-term financial liabilities	0.8	1.3
Derivatives	0.7	0.0
<b>Total</b>	<b>36.9</b>	<b>270.1</b>

Short-term financial liabilities are due for settlement within one year. The stated amount of short-term bank loans approximates their fair value.

**(23) Current provisions**

EUR m	Other provisions for personnel	Warranties	Obligations for legal issues	Other short-term provisions	Total
As of 12/31/2014	11.2	2.9	3.1	25.8	42.9
Currency translation adjustments	0.2	0.0	0.0	0.3	0.6
Changes in scope of consolidation	1.1	0.0	0.0	0.6	1.6
Consumption	-8.8	-0.6	-0.4	-20.4	-30.2
Release	-0.6	0.0	-1.4	-2.6	-4.6
Allocation	11.9	0.9	2.6	22.2	37.7
Reclassifications	0.0	0.0	0.1	-0.1	0.0
<b>As of 12/31/2015</b>	<b>15.0</b>	<b>3.2</b>	<b>4.0</b>	<b>25.9</b>	<b>48.1</b>

Other current provisions consist mainly of provisions for sites and connection costs.

**(24) Trade payables and other liabilities**

EUR m	12/31/2015	12/31/2014
Trade payables	100.3	79.2
Payables to non-consolidated affiliated companies	1.7	1.8
Payables to associated companies	0.0	0.0
Downpayments received	3.5	4.2
Deferred income	37.2	37.2
Liabilities to employees	42.0	48.9
Other liabilities from social security obligations	9.6	9.1
Other tax liabilities (excluding income taxes)	176.9	74.2
Purchase price obligations	22.0	3.7
Other short-term liabilities	57.1	59.3
<b>Total</b>	<b>450.4</b>	<b>317.6</b>

Deferred income consists mainly of special rent payments for slot machines and loyalty rewards for clients in Germany.

Purchase price obligations cover contingent considerations from business combinations as well as purchase price components from business combinations or financial investments not yet due.

The increase in tax liabilities is related to the increase in bank balances. Further details are provided in note (11).

Other short-term liabilities consist mainly of deposits received, outstanding invoices, accrued interest, and short-term clearing accounts.

The carrying values of trade payables and other liabilities approximate their fair values.

## Notes to the Consolidated Income Statement

The income statement was prepared applying the total expenditure format.

### (25) Revenues

EUR m	2015	2014
Sales revenues	217.6	204.5
Operation of slot machines	902.2	883.5
Income from rent and management services	594.7	551.2
Betting income	81.9	62.6
eBusiness income	167.9	157.5
Income from food and beverage	28.7	28.7
Other sales	104.3	97.3
Sales reduction	-11.1	-7.7
<b>Total</b>	<b>2,086.3</b>	<b>1,977.6</b>

### (26) Changes in inventories of finished goods and work in progress as well as own work capitalized

EUR m	2015	2014
Changes in inventories of finished goods and work in progress	8.2	11.4
Own work capitalized	147.6	111.9
<b>Total</b>	<b>155.8</b>	<b>123.2</b>

Own work capitalized consists mainly of internally produced electronic gaming machines.

**(27) Other operating income**

EUR m	2015	2014
Income from the disposal of intangible assets and property, plant and equipment	19.2	11.2
Foreign exchange gains	13.5	14.2
Deconsolidation	49.0	41.8
Other operating income	43.0	43.9
<b>Total</b>	<b>124.6</b>	<b>111.2</b>

The income from deconsolidation is due to the sale of fully consolidated subsidiaries during the reporting period, as well as earn-out settlements from prior disposals.

**(28) Cost of material and other purchased services**

EUR m	2015	2014
Material expenditure	-277.8	-248.9
Purchased services for production	-5.1	-3.9
<b>Total</b>	<b>-282.8</b>	<b>-252.8</b>

**(29) Personnel costs**

EUR m	2015	2014
Wages and salaries	-457.3	-411.0
Expenses for severance payments	-8.5	-5.3
Expenses for pensions	-3.7	-6.3
Cost of statutory social security, payroll-related taxes and mandatory contributions	-89.7	-83.0
Other social expenses	-8.6	-6.7
<b>Total</b>	<b>-567.8</b>	<b>-512.4</b>

Expenses for defined contribution plans are included in the expenses for severance payments of EUR 1.7 million (previous year: EUR 1.7 million) and in the expenses for pension plans of EUR 1.8 million (previous year: EUR 1.2 million).

The increase in personnel costs is mainly due to an increase in the number of employees in the Group. The average number of employees evolved as follows:

	2015	2014
Salaried employees	7,754	6,856
Workers	12,202	11,128
<b>Total</b>	<b>19,955</b>	<b>17,984</b>

**(30) Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property**

EUR m	2015	2014
Scheduled depreciation/amortization	-266.5	-250.3
Impairment	-35.8	-43.8
Impairment reversals	11.0	10.1
<b>Total</b>	<b>-291.3</b>	<b>-284.1</b>

The breakdown of the depreciation/amortization for the year according to the individual asset classes is shown in notes (1), (2) and (3).

The impairments relate to the "Gaming Technology" segment in the amount of EUR 16.3 million (previous year: EUR 4.4 million), the "Gaming Operations" segment in the amount of EUR 17.5 million (previous year: EUR 36.6 million), and to "Other" in the amount of EUR 2.0 million (previous year: EUR 2.8 million). The impairment reversals relate to the "Gaming Technology" segment in the amount of EUR 3.3 million (previous year: EUR 1.5 million) and the "Gaming Operations" segment in the amount of EUR 7.7 million (previous year: EUR 8.6 million).

**(31) Gaming taxes and betting fees**

EUR m	2015	2014
Gaming taxes	-181.0	-170.7
Betting fees	-10.3	-7.3
<b>Total</b>	<b>-191.4</b>	<b>-178.0</b>

**(32) Other operating expenses**

EUR m	2015	2014
Other taxes, fees and charges	-68.1	-55.0
Maintenance	-37.2	-34.1
Energy costs	-29.2	-27.6
Telephone, communications	-12.3	-10.7
Rental expense real estate	-101.8	-92.6
Rental expense slot machines	-8.9	-5.1
Rental expense other assets	-8.0	-6.3
Insurance costs	-5.1	-5.5
Vehicle fleet operation costs	-14.5	-14.1
Legal, audit and consulting costs	-37.7	-30.5
Other services received	-42.2	-37.1
Advertising costs	-107.0	-100.5
Travelling costs	-14.1	-11.6
Development costs	-29.7	-13.8
License costs	-11.7	-7.9
Commissions	-10.6	-7.7
Partners' shares	-25.2	-33.9
Bad debt and valuation adjustment	-10.8	-12.7
Loss from the disposal of fixed assets	-6.1	-6.2
Security costs	-14.1	-11.8
Foreign exchange losses	-10.7	-8.7
Deconsolidation	-5.5	-0.3
Other expenses	-102.7	-96.8
Release of provisions	5.1	9.1
<b>Total</b>	<b>-707.9</b>	<b>-621.5</b>

The rental expenses for real estate, slot machines and other assets were incurred through operating lease agreements. Further details are provided in note (2).

**(33) Share of profit/loss of associated companies**

EUR m	2015	2014
Novosun S.A.	0.0	2.0
Pratergarage Errichtungs- und Betriebsges.m.b.H.	0.0	0.1
<b>Total</b>	<b>0.0</b>	<b>2.0</b>

**(34) Interest income**

EUR m	2015	2014
Interest income	7.1	6.9
Interest income from finance lease receivables	1.3	1.2
<b>Total</b>	<b>8.4</b>	<b>8.1</b>

**(35) Other financial income**

EUR m	2015	2014
Income from the disposal of financial assets	13.1	35.9
Investment income from other investments	9.3	0.0
Fair value valuation of interest rate swaps	0.0	1.1
Other financial income	2.1	9.2
<b>Total</b>	<b>24.4</b>	<b>46.1</b>

The shares in NovoSun S.A., Chile, valued at equity, were sold in 2014. The disposal resulted in sales proceeds of EUR 32.2 million recognized in 2014. In addition to this, non-cash income of EUR 13.1 million was recorded under disposal of financial assets in 2015.

The financial investment in Österreichische Lotterien Gesellschaft mbH (ÖLG) resulted in investment income amounting to EUR 9.3 million.

Other financial income includes an amount of EUR 0.7 million (previous year: EUR 8.4 million) from the subsequent measurement and settlement of contingent considerations arising from business combinations.

**(36) Interest expense**

EUR m	2015	2014
Interest expense	-7.6	-8.2
Interest expense on bonds	-24.5	-30.1
Interest expense on obligation under finance lease	0.0	0.0
<b>Total</b>	<b>-32.1</b>	<b>-38.3</b>

**(37) Other financial expenses**

EUR m	2015	2014
Losses from the disposal of financial assets	-3.6	-4.7
Impairment of financial assets, loans and securities	-1.6	-6.6
Fair value valuation of interest rate swaps	-0.1	0.0
Other financial expenses	-8.0	-2.2
<b>Total</b>	<b>-13.4</b>	<b>-13.5</b>

**(38) Currency exchange gains/losses from intra-group financing**

Foreign currency effects resulting from intra-group financing are stated separately in this item because of their close connection to financing activities. Exchange rate profit and loss amounts to EUR 5.8 million (previous year EUR 0.6 million).

**(39) Income taxes**

EUR m	2015	2014
Current income tax expense	-95.8	-109.6
Current income tax relating to other periods	-11.7	3.0
Deferred tax income/expense	9.7	15.2
<b>Total</b>	<b>-97.8</b>	<b>-91.4</b>

A reconciliation of income tax applying the Austrian corporate income tax rate of 25 percent (previous year: 25 percent) to the effective tax rate for the 2015 fiscal year is stated below:

EUR m	2015	2014
<b>Earnings before taxes</b>	<b>318.5</b>	<b>368.4</b>
<b>Computed income tax expense of 25 % (previous year: 25 %)</b>	<b>-79.6</b>	<b>-92.1</b>
<b>Adjustment of the computed income tax expense</b>		
Adjustment for differing foreign tax rates	-5.8	-8.6
Effects of non-taxable income	13.9	10.1
Effects of non-deductible expenses	-10.0	-12.8
Effects of tax advantages	2.9	4.9
Actual income tax relating to other periods	-11.7	3.0
Effects of change in income tax rate on deferred taxes	0.7	-0.1
Effects of initially not recognized and unused tax losses and possible offsets on the actual tax expense	2.2	14.0
Effects of initially not recognized and unused tax losses and possible offsets on the deferred tax expense	19.0	0.2
Effects of adjustments or the reversal of a previous adjustment of a deferred tax asset	-3.9	1.0
Effects of unused tax losses and possible offsets not recognized as deferred taxes	-23.2	-6.0
Withholding tax	0.9	-1.7
Other	-3.1	-3.3
<b>Effective tax expense</b>	<b>-97.8</b>	<b>-91.4</b>
Effective tax rate in %	30.7 %	24.8 %

Income taxes included in other comprehensive income:

EUR m	2015	2014
Revaluation of available-for-sale financial instruments	-0.2	2.7
Revaluation of the net defined benefit liability	0.2	0.7



## Notes on the Cash Flow Statement

Cash flow from operating, investing and financing activities is shown separately in the consolidated cash flow statement. The consolidated cash flow statement was prepared in accordance with the indirect method. Liquid funds correspond to cash and cash equivalents as well as bank balances stated on the balance sheet. The amount of EUR 82.9 million deposited for tax liabilities has already been disclosed as a cash transaction in the cash flow from operating activities.

The Group undertook the following non-cash investing and financing activities that are not reflected in the cash flow statement: receivables related to the sale of included subsidiaries amounting to EUR 20.9 million (previous year: EUR 18.8 million) and liabilities and/or settlements from the acquisition of companies amounting to EUR 11.3 million (previous year: EUR 3.8 million).

## Notes on Segment Reporting

For management purposes, the NOVOMATIC Group is divided into two business segments. The segment reporting shows this strategic orientation.

The "Gaming Technology" segment includes the production, sale and rental of gaming and entertainment machines, and the online B2B operation.

The "Gaming Operations" segment consists of the operation of casinos and electronic gaming machine casinos, sports and horse racing betting, and the online B2C operation.

The valuations for the segment report correspond to the accounting policies used for the IFRS consolidated financial statements. Those assets and liabilities that are not directly related to the gaming operation are summarized under the heading "Other." Reconciliation comprises adjustments due to the consolidation.

The inter-segment exchange of goods and services shows the supply and service relationships between the operating segments. The charging is carried out at arm's length. Intercompany expenses, income and profits are eliminated in the reconciliation of segment revenues and/or segment results to the amounts disclosed in the consolidated financial statements.

Segment assets consist mainly of intangible assets, tangible assets, inventories, trade receivables and cash balances. Segment liabilities consist mainly of trade payables, provisions and deferred income. During the reconciliation of the segment assets and liabilities, intercompany receivables and liabilities are eliminated as part of the consolidation of debts.

Unallocated assets and/or debts comprise those items on the balance sheet that are not defined as segment assets or segment debts and are used for the reconciliation with the consolidated value.

## Segment revenues

01-12/2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	860.3	1,204.0	22.0	0.0	2,086.3
Intra-segment revenues	125.0	9.4	7.1	-141.5	0.0
<b>Total revenues</b>	<b>985.3</b>	<b>1,213.4</b>	<b>29.1</b>	<b>-141.5</b>	<b>2,086.3</b>

01-12/2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	805.2	1,155.4	17.1	0.0	1,977.6
Intra-segment revenues	106.5	9.3	6.5	-122.4	0.0
<b>Total revenues</b>	<b>911.7</b>	<b>1,164.7</b>	<b>23.6</b>	<b>-122.4</b>	<b>1,977.6</b>

## Segment result

01-12/2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
<b>Segment result (EBIT)</b>	<b>169.5</b>	<b>176.3</b>	<b>0.1</b>	<b>-20.5</b>	<b>325.4</b>
Financial result					-7.0
Earnings before taxes					318.5
Income taxes					-97.8
<b>Annual profit</b>					<b>220.7</b>

01-12/2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
<b>Segment result (EBIT)</b>	<b>204.3</b>	<b>171.7</b>	<b>9.7</b>	<b>-22.3</b>	<b>363.3</b>
Financial result					5.1
Earnings before taxes					368.4
Income taxes					-91.4
<b>Annual profit</b>					<b>276.9</b>

**Segment assets and liabilities**

2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-Allocated Assets/Liabilities	Total
Segment assets	1,186.7	932.4	137.2	-237.3	978.2	2,997.2
Segment liabilities	294.1	364.1	13.7	-141.7	1,242.1	1,772.3

2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-Allocated Assets/Liabilities	Total
Segment assets	1,076.3 <sup>1)</sup>	790.6	131.6	-186.8	822.7	2,634.4
Segment liabilities	273.5	251.9	9.9	-120.8	1,045.6 <sup>1)</sup>	1,460.1

<sup>1)</sup> Adjustment of previous year's figures as per IFRS 3 "Business combinations"

## Other segment information

2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/ amortization	-169.4	-90.8	-6.2	0.0	-266.5
Impairment	-16.3	-17.5	-2.0	0.0	-35.8
Impairment reversals	3.2	7.7	0.0	0.0	11.0
Investments	190.0	111.9	6.4	0.0	308.3
Investments through business combinations	69.0	104.8	0.0	0.0	173.8
Income from associates	0.0	0.0	0.0	0.0	0.0
Carrying amount of associated companies	0.0	0.0	0.2	0.0	0.2

2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/ amortization	-163.0	-82.3	-5.0	0.0	-250.3
Impairment	-4.4	-36.6	-2.8	0.0	-43.8
Impairment reversals	1.5	8.6	0.0	0.0	10.1
Investments	151.2	92.7	9.7	0.0	253.6
Investments through business combinations	27.2 <sup>1)</sup>	124.9	0.0	0.0	152.1
Income from associates	0.0	2.0	0.1	0.0	2.0
Carrying amount of associated companies	0.0	0.0	0.2	0.0	0.2

<sup>1)</sup> Adjustment of previous year's figures as per IFRS 3 "Business combinations"

## Geographical information

The disclosures regarding the geographic regions in which the Group operates were reorganized and expanded. The previous year's disclosures were adjusted accordingly. The Group recorded the following revenues and assets in the individual regions:

01-12/2015

EUR m	Austria	Germany	Italy	Great Britain	Eastern Europe	Other countries Europe	Other countries international	Non-Allocated Assets	Total
Revenues	408.6	647.7	276.6	182.1	304.0	177.0	90.2	0.0	2,086.3
Assets	564.1	281.7	367.3	242.7	260.9	194.6	107.7	978.2	2,997.2

01-12/2014

EUR m	Austria	Germany	Italy	Great Britain	Eastern Europe	Other countries Europe	Other countries international	Non-Allocated Assets	Total
Revenues	512.6	607.2	238.1	125.6	270.1	137.1	86.7	0.0	1,977.6
Assets	565.1	255.4	334.1	155.0	235.8	169.4	97.0	822.7	2,634.4

Revenues are allocated to the individual regions based on the domicile of the company recording such revenues.

## Notes on Financial Instruments

12/31/2015 EUR m	Category acc. to IAS 39				Fair value			
	Loans and receivables	Financial assets available for sale	Financial liabilities at amortized costs	Derivatives	Securities	Financial investments	Derivatives	Contingent consider- ations
<b>Financial assets</b>								
Financial assets		204.1			7.8	188.4		
Other non-current assets	84.6							
Trade receivables, other receivables and assets	247.5							
Current financial assets	3.7	10.7		4.1	10.7		4.1	
Cash and cash equivalents	585.4							
<b>TOTAL</b>	<b>921.2</b>	<b>214.8</b>	<b>0.0</b>	<b>4.1</b>	<b>18.5</b>	<b>188.4</b>	<b>4.1</b>	<b>0.0</b>
<b>Financial liabilities</b>								
Non-current financial liabilities			1,037.8					
Other non-current liabilities			14.0					9.4
Current financial liabilities			34.4	0.7			0.7	
Trade payables and other liabilities			154.3					6.4
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>1,240.4</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>15.7</b>

12/31/2014 EUR m	Category acc. to IAS 39				Fair value			
	Loans and receivables	Financial assets available for sale	Financial liabilities at amortized costs	Derivatives	Securities	Financial investments	Derivatives	Contingent consider- ations
<b>Financial assets</b>								
Financial assets		15.1			7.1	0.0		
Other non-current assets	82.7							
Trade receivables, other receivables and assets	205.2							
Current financial assets	5.3	13.2		2.8	13.2		2.8	
Cash and cash equivalents	627.2							
<b>TOTAL</b>	<b>920.4</b>	<b>28.2</b>	<b>0.0</b>	<b>2.8</b>	<b>20.2</b>	<b>0.0</b>	<b>2.8</b>	<b>0.0</b>
<b>Financial liabilities</b>								
Non-current financial liabilities			629.7					
Other non-current liabilities			13.1					7.0
Current financial liabilities			268.1				0.0	
Trade payables and other liabilities			127.7					2.2
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>1,038.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.2</b>

## Classification acc. to IFRS 7

## Amortized costs

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares
							7.9
	9.1	58.9				25.7	
	206.9					40.6	
	13.0	3.7					
585.4							
585.4	229.1	62.6	0.0	0.0	0.0	66.3	7.9
		2.4	592.0	448.4			
		0.8	0.0	35.4		14.0	
					100.9	53.4	
0.0	0.0	3.1	592.0	483.8	100.9	67.3	0.0

## Classification acc. to IFRS 7

## Amortized costs

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares
							8.0
	14.5	55.6				23.0	
	172.5					32.7	
	7.3	5.3					
627.2							
627.2	194.3	60.9	0.0	0.0	0.0	55.7	8.0
		1.3	593.1	41.3			
		1.3	187.7	81.0		13.1	
					85.0	42.6	
0.0	0.0	2.6	780.8	122.3	85.0	55.7	0.0

## Valuation of financial instruments

### a. Fair value of financial assets and liabilities carried at fair value regularly

Some of the Group's assets and liabilities are valued at fair value for financial reporting purposes.

EUR m	12/31/2015	12/31/2014	Hierarchy
<b>Assets</b>			
Securities	18.5	20.2	Level 1
Financial investments	188.4	0.0	Level 3
Derivatives (positive market values)	0.9	2.8	Level 2
Derivatives (Options)	3.2	0.0	Level 3
<b>Liabilities</b>			
Contingent considerations from business combinations	15.7	9.2	Level 3
Derivatives (negative market values)	0.7	0.0	Level 2

Securities classified as financial assets available for sale include listed equity instruments such as shares and/or debt instruments such as bonds. For the valuation, the bid prices quoted on an active market are used.

The financial investments include the indirectly held 23.11 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG). For the fair value measurement, an industry multiple derived from a peer group of several international lottery companies was applied. The main input factor for this is the average ratio of enterprise value to EBITDA of 9.2x for the selected peer group. This is based on current market data and represents the average market capitalization. For an acquisition, a premium of 14 percent was added. This resulted in a current market value of EUR 188.5 million for the investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in an impairment of EUR -6.4 million, which had no impact on income. An increase of this multiple by 0.5x would raise the fair value by EUR 9.3 million.

The derivative financial instruments mainly comprise interest rate swaps, interest rate options and forward currency contracts, the fair value of which is ascertained using the discounted cash flow method. For this, the future cash flows determined as of the valuation date are discounted using suitable discount rates with matching maturities (observable interest curves on the balance sheet date). Market valuations of derivative financial instruments are carried out by the Group's own treasury management system, as well as the banks involved. The market value of derivatives corresponds to the value that the individual company would receive or have to pay if the contract was settled as of the balance sheet date. Changes in fair value are recorded in profit and loss.

To hedge financial risks, the NOVOMATIC Group entered into the following derivative contracts:

EUR m	12/31/2015		12/31/2014	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract (positive)	37.4	0.9	21.5	2.8
USD forward contract (negative)	25.0	-0.6	0.0	0.0
Interest rate swap	77.5	-0.1	0.0	0.0



Through an option, the NOVOMATIC Group has secured the right to acquire shares in an unlisted company. To determine the current price of this purchased option, an evaluation method based on market prices was applied by determining a multiple derived from current market data for comparable companies. This resulted in a current positive market value of EUR 3.2 million for the option as of the balance sheet date. This subsequent measurement was recorded in the income statement under other financial expenses with an amount of EUR -0.8 million.

The contingent consideration from business combinations results from the contractual obligations of the acquiring Group company to pay an additional purchase price to the seller if certain contractually agreed revenue or EBITDA goals are reached within a certain period after closing.

The valuation of the obligations from contingent purchase prices is based on updated revenue and/or EBITDA estimates. Changes after the initial recognition of EUR 0.7 million (previous year: EUR 8.4 million) from the subsequent valuation or settlement have been accounted for in other financial income. The contingent consideration amounts are disclosed in the balance sheet as either other non-current liabilities (purchase price obligations) of EUR 9.4 million (previous year: EUR 7.0 million) or trade payables and other liabilities (purchase price obligations) of EUR 6.4 million (previous year: EUR 2.2 million). The change in the contingent consideration from business combinations by EUR 6.6 million is the result of an addition amounting to EUR 14.8 million from acquisitions and a disposal amounting to EUR -8.2 million from settlement or discharge. Purchase price obligations have residual terms of 1 to 3 years.

An increase of the underlying revenue or EBITDA amounts by +10.0 percent would result in an increase of the obligation by EUR 1.5 million (previous year: EUR 1.1 million); a reduction of these amounts by -10.0 percent would result in a decrease of the obligation by EUR 1.5 million (previous year: EUR 1.1 million).

## b. Fair value of financial assets and liabilities not carried at fair value regularly, whereby the fair value has to be disclosed

For financial instruments valued at cost, the following table provides an overview of the carrying amounts as well as the corresponding fair values:

EUR m	12/31/2015		12/31/2014		Hierarchy
	Carrying value	Fair value	Carrying value	Fair value	
<b>Financial liabilities</b>					
Bonds	592.0	625.8	780.8	809.4	Level 1
Bank and leasing liabilities	483.8	484.5	122.3	124.6	Level 2

The fair value of bonds is the price listed on the stock market as of the valuation date. The market value of bank and leasing obligations is determined by discounting future fixed cash flows related to these obligations at the market interest rate on the balance sheet date.

For financial assets and financial liabilities not listed above, it is assumed that their carrying value constitutes a reasonable approximation of the fair value.

For cash, trade receivables, trade payables, other current receivables and other current liabilities, the fair value roughly corresponds to the carrying value due to the short residual maturities.

For loans and borrowings, as well as other non-current financial receivables and liabilities, no major deviations between fair value and carrying value are assumed. The default risk is taken into consideration through the application of valuation allowances.

### Net result by category according to IAS 39

12/31/2015		Subsequent measurement			
EUR m	Allowances	at fair value through income statement	at fair value through other comprehensive income	Disposal results	Net results
Loans and receivables	-10.8				-10.8
Derivatives		-3.4			-3.4
Available-for-sale financial assets			-4.7	-3.0	-7.7

12/31/2014		Subsequent measurement			
EUR m	Allowances	at fair value through income statement	at fair value through other comprehensive income	Disposal results	Net results
Loans and receivables	-12.7				-12.7
Derivatives		4.1			4.1
Available-for-sale financial assets			-9.0	3.6	-5.4

Due to the disposal of securities classified as available-for-sale, an amount of EUR 4.4 million (whereof EUR 5.7 million is the fair value and EUR 1.3 million is the corresponding tax amount) has been transferred from other comprehensive income to the income statement.

## Capital Risk Management

The purpose of capital risk management is the control of the capital structure of the Group as well as the individual companies. It ensures the maintenance of a high equity ratio in order to reduce debt costs and the safeguarding of sustained high profitability so that all Group companies are able to operate under the going concern proposition.

The development of the capital structure is supervised by means of the equity ratio and the ratio of net indebtedness to EBITDA. These ratios are regularly quantified and reported on a biannual basis to the executive board, which uses those ratios to guide further corporate development.

The equity ratio is calculated as the ratio of equity to balance sheet total. Equity consists of the issued capital, capital reserves, retained earnings, as well as the revaluation reserve plus currency translation adjustments and non-controlling interests.

Net debt is calculated as the sum of current and non-current financial liabilities less cash and cash equivalents. The debt ratio is calculated accordingly as the ratio of net debt to earnings before interest, taxes, depreciation and amortization (EBITDA).

Due to its contractually agreed financial covenants, the NOVOMATIC Group is required to maintain an equity ratio of at least 20.0 percent and net debt in relation to the EBITDA of not more than 3.75x.

The equity ratio and the ratio of net indebtedness to EBITDA as per December 31, 2015, and as per December 31, 2014, are calculated as follows:

	2015	2014
Equity capital ratio (equity capital/balance sheet total)	40.9 %	44.6 %
Net debt to EBITDA (net debt/EBITDA)	0.80	0.43

In October 2015, NOVOMATIC AG received a BBB rating with a stable outlook from the ratings agency Standard & Poor's.

## Financial Risk Management

The NOVOMATIC Group controls, monitors and limits the financial risks associated with the business segments in which it is active. Control of financial risks is supported by a treasury management system that is established in the industrial and bank sector. The financial risks relevant to the Group are monitored on a regular basis and, if necessary, collateralized via suitable measures and instruments (e.g. derivative financial instruments such as interest rate swaps and forward currency contracts) to reduce the risk resulting from the underlying transaction.

Alongside the identification, analysis and evaluation of financial risks, decisions on the implementation of protective measures and instruments are made primarily by headquarters. Analysis and quantification of the risk potential and the use of hedging instruments is monitored by the Group Treasury department.

## Liquidity risk

Liquidity or financing risk is the risk associated with remaining solvent at any given moment and/or having the ability to obtain the necessary funds from investors at arm's length so as to fulfill any due obligations on time and to provide intercompany financing and guarantees for internal Group purposes. Furthermore, the need for cash in the gaming industry is high, especially in terms of cash in the company's own gaming arcades. Therefore, part of the indicated cash comprises base filling of the slot machines and cash reserves in the gaming arcades.

Thanks to the Group's conservative financing and debt policy, as well as the conservative investment policy, the NOVOMATIC Group's liquidity risk is limited. Even so, the NOVOMATIC Group accords high priority to the topic of liquidity risk and its control. In order to guarantee the Group's solvency and financial flexibility at all times, the group maintains a liquidity reserve in the form of revolving usable credit lines (as of December 31, 2015: EUR 450.0 million, thereof EUR 355.0 million unused) and short-term money market investments. Furthermore, a continuous liquidity plan is compiled based on the results of the Group's strategy and planning processes in order to provide an up-to-date impression of the expected development of liquidity on the Group level. Medium-term and long-term liquidity and financing needs are determined based on projected cash flows.

To additionally reduce liquidity risk, the NOVOMATIC Group always seeks to have an internationally diversified investor base. For this purpose, NOVOMATIC AG subjected itself to a rating process by ratings agency Standard & Poor's in October 2015. With the issue of three tranches of promissory notes with a total amount of EUR 275.0 million, the relationships to international investors such as banks, investment funds and financial service providers were further intensified in 2015. The more than 50 investors participating in this notes transaction are mainly based in Germany, Austria, Spain and Luxembourg.

The acquisition of Playnation Ltd. in the United Kingdom was financed with OeKB equity financing for the amount of EUR 50.0 million.

In addition to traditional credit financing, the NOVOMATIC Group in 2015 continued to enhance its focus on capital markets-based debt financing such as bonds (total volume as of December 31, 2015: EUR 600.0 million).

NOVOMATIC AG's bond of EUR 200.0 million due on January 22, 2015, as well as the tranches of promissory notes issued in July 2008 with amounts of EUR 17.0 million and EUR 41.0 million, were repaid as scheduled.

The following table shows all payments for redemptions and interest from financial liabilities including derivative financial instruments that had been contractually fixed as of the consolidated balance sheet date. Derivative instruments are shown at their market value, whereas the other liabilities are shown in the amount of the non-discounted cash flows for the following fiscal years:

EUR m	2016	2017–2020	2015	2016–2019
Bonds	23.2	444.4	211.9	462.9
Bank loans	41.9	432.1	82.5	29.1
Lease liabilities	1.8	5.4	2.1	6.5
Trade payables	100.9	0.0	85.0	0.0
Derivatives	0.7	0.0	0.0	0.0
Contingent considerations	6.4	9.4	2.2	7.0
Other liabilities	53.4	14.0	42.6	13.1

Due to the high level of cash and cash equivalents, readily available investments and the revolving utilizable credit lines, on-time payment of the liabilities is guaranteed.

## Counterparty Risk

Counterparty risk constitutes the risk of delay or default in payment by a contractual partner. In the NOVOMATIC Group's financing activities, credit relationships with banks that can boast appropriately high ratings (investment grade rating) predominate.

To screen the default risk for investments (current account balances, money market investments, capital market investments, securities) and for derivatives (positive market value of derivatives), the NOVOMATIC Group monitors the limits. The limit for counterparty credit risk depends on the type of trade and the counterparty's creditworthiness, with due attention paid to achieving a balanced distribution of the funds to avoid non-diversification risk. If a transaction exceeds its limit, measures to meet the defined target figures are initiated immediately. Furthermore, the development of the counterparties' creditworthiness in terms of finance (ratings, CDS spreads, common equity tier 1 ratio) is monitored continually, with counterparty risk limits regularly adapted to correspond with any changes.

Apart from financing, the NOVOMATIC Group is also exposed to counterparty credit risk in the area of sales, since customers might not fulfill their payment obligations in full or when they are due. This risk is kept in check by regularly analyzing the creditworthiness of the customer portfolio and by continuously monitoring outstanding receivables. The default risk is in some cases reduced even further via additionally demanded collateral such as e.g. received deposits or documentary letters of credit for exports. This applies in particular to new customers. Additionally, contractually secured reservations of title, advance payment in part or in full, direct debiting and requiring shorter payment terms, further minimize the risk to which the NOVOMATIC Group is exposed. Thanks to the high number of customers, there is no concentration of default risk.

The maximum risk in cases of default on receivables from customers and loans to business partners is limited to their book value. For other financial assets (cash and cash equivalents, financial instruments available for sale and other financial instruments with the exception of derivatives), the maximum credit risk in the event of counterparty default is likewise the book value of these financial instruments. For derivative financial instruments, the maximum credit risk in cases of default is equivalent to the positive fair value of the derivative as of the valuation date.

## Market Risk

### a. Interest rate risk

In the context of its external financing activities and investment strategy, the NOVOMATIC Group is exposed to risk related to changes in interest rates. Interest rate fluctuations can have a positive or negative effect on the value of financial instruments (present value risk) as well as on the resulting cash flows (cash flow risk). Due to risk management-related considerations, it is seen to that existing debt carries fixed as well as variable interest rates, and that a mix of short-term and long-term financing arrangements are concluded to minimize cluster risk.

In order to limit interest rate risk, current interest rate developments are constantly monitored and interest rate risks are hedged, if necessary, e.g. using interest rate swaps. Due to the high share of fixed-interest liabilities (approximately 90 percent) in the NOVOMATIC Group's financing portfolio, the cash flow risk due to increasing interest rates is limited. Variable-interest deposits exceed variable-interest financing vehicles, which structurally limits the cash flow risk due to increasing interest rates. Due to the current historical development of interest rates, the excess of variable-interest financial investments over the variable-interest financial liabilities increases the cash flow risk.

The Executive Board has defined a guideline for the use of hedging transactions. Derivative financial instruments are concluded exclusively for the purpose of collateralizing existing underlying transactions and not for speculative purposes. The interest rate swap with an amount of EUR 77.5 million and a term of five years (floored interest rate swap) that was concluded during the financial year under review in relation to the notes transaction is recognized at fair value in the consolidated financial statements.

The following schedule shows the impact of potential interest rate changes (+/- 50 basis points) on earnings before taxes and on equity based on reasonable judgment. Interest rate sensitivity analysis includes the effects of variable-interest bank liabilities and bank deposits, as well as the payments due under concluded derivatives contracts. For the calculation, an interest rate increase by 50 basis points and an interest rate reduction by 50 basis points, were simulated, taking into account the impact on interest expenses for bank liabilities, on interest income from bank deposits, and on compensatory payments of derivatives.

EUR m	2015		2014	
	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change (in basis points)				
Change in earnings before taxes	-0.8	0.8	-0.7	0.7
Change in equity	-0.6	0.6	-0.5	0.5

In 2015, the average weighted interest rate for variable-interest financing was 1.4 percent, while the average 3M-EURIBOR was 0.015 percent (change from 0.169 percent as of January 2, 2015, to -0.040 percent as of December 31, 2015). Due to the ECB's monetary policy decisions, some banks have charged their customers a negative interest on short-term bank deposits or threatened to do so. Due to this, a future interest rate reduction by 0.5 percent against the current level (i.e. further negative interest) is possible.

## b. Foreign exchange risk

The risk resulting from fluctuations in the value of financial instruments, other balance sheet positions (e.g. receivables and liabilities), and/or cash flows denominated in foreign currencies due to exchange rate fluctuations, is called currency risk or exchange risk. This risk resides predominantly in business transactions conducted in currencies other than the local currency of an entity (i.e. in foreign currency) or in regular business activities (direct currency risk), as well as in transactions where the prices for products and services depend on a currency other than the invoicing currency (indirect currency risk).

To limit currency risk in business transactions carried out in foreign currency or in those that are dependent on foreign currencies, the development of exchange rates is monitored constantly. Currency risk is quantified regularly on a rolling basis and significant exposures to such risk are hedged in such a way as to reduce the risk of exchange losses. An initial hedge for currency risk is provided through items that are naturally self-contained (natural hedge), for instance, the payments received from deliveries and services in USD are balanced by payments made for deliveries and services in USD. For the remaining net exposure, currency risk is usually hedged through forward currency contracts. With respect to exchange rate risks from operative business, payments for materials invoiced in USD mean that the NOVOMATIC Group is a USD net payer at present and for the medium term.

In an analysis to measure the sensitivity towards exchange rate movements, the payments and receipts in USD are netted. The impact of an exchange rate movement by +/- 10 USD cents on the net position is then calculated.

The following schedule, which is based on reasonable judgment, shows the effects of possible exchange rate movements by +/- 10 USD cents on earnings before taxes and on equity:

EUR m	2015				2014	
	+10 USD cents	-10 USD cents	+10 USD cents	-10 USD cents		
Exchange rate fluctuation, USD to EUR						
Change in earnings before taxes	2.9	-3.5	0.2	-0.2		
Change in equity	2.2	-2.6	0.2	-0.2		

As of the balance sheet date, the NOVOMATIC Group's interest-bearing financial liabilities were mainly denominated in EUR and otherwise in USD or other currencies. Group companies with an accounting currency other than their financing currency were hence exposed to foreign exchange risk in terms of the financing currency (mainly EUR and USD).

## c. Capital investments

Risks in capital investments essentially cover market price and valuation risks. The capital investments held by the NOVOMATIC Group are comprised mainly of precious metals as well as exchange-traded shares and were hence exposed to price fluctuations during the financial year.

There were no further significant capital investment-related events in 2015.

## Other Information

### Group audit fees

The expenses for services provided by the Group auditor (including the network in accordance with section 271b of the Austrian Commercial Code) present themselves as follows:

EUR m	2015	2014
Group audit and audit of financial statements	1.8	2.0
Audit-related services	0.0	0.2
Tax advisory services	0.3	0.2
Other consulting services	0.4	0.2

### Related party transactions

The parent company of NOVOMATIC AG is NOVO Invest GmbH in Gumpoldskirchen. These consolidated financial statements of the NOVOMATIC AG are therefore included in the consolidated financial statements of NOVO Invest GmbH, being the ultimate parent company, and are filed with the Regional Court of Wiener Neustadt under FN 381832v.

The related parties furthermore include the members of the bodies (Executive Board and Supervisory Board), non-consolidated affiliated subsidiaries, associated companies, as well as companies under the control of bodies or the shareholders of NOVOMATIC AG.

The following table summarizes the scope of business relationships with related parties for the individual fiscal years:

EUR m	Other		Management	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Receivables	10.7	6.1	0.0	0.0
Liabilities	13.7	3.1	0.2	0.1
Revenues	15.2	15.8	0.0	0.0
Material expenditure	38.0	33.7	0.0	0.0
Consulting services	0.3	0.2	0.0	0.4
Research and Development	15.8	8.9	0.0	0.0
Other expenses	2.7	2.7	0.0	0.0

The item "Management" comprises the Supervisory Board and the Executive Board of NOVOMATIC AG. The business relationships with the management result in particular from consulting services. The management's remuneration is disclosed in the note on "Company bodies."

The information provided for "Other" essentially relates to companies that are controlled by the management or by the shareholders of NOVOMATIC AG. The transactions result from the delivery of goods and services, rental fees, and research and development services. Accounts receivable are unsecured and settled in cash. Guarantees were neither given nor received.



During the reporting period, the NOVOMATIC Group furthermore sold 100 percent of its shares in Novo Investicije d.o.o., Slovenia, to a related company.

There were no transactions with associated companies during the two fiscal years.

## Contingent liabilities

EUR m	12/31/2015	12/31/2014
Bill commitments	0.2	0.2
Guarantees	5.9	6.8
<b>Total</b>	<b>6.1</b>	<b>7.0</b>

The Group has issued payment guarantees to UniCredit Bank Austria AG amounting to EUR 0.2 million (previous year: EUR 1.5 million) in favor of third parties. In Italy, payment guarantees amounting to EUR 5.7 million (previous year: EUR 5.3 million) were granted to the regulatory authority ADM (formerly AAMS).

## Subsequent events after the balance sheet date

### Completed acquisitions

In January 2016, Extra Games Entertainment GmbH, Germany, acquired 100 percent of the shares of the newly founded company Turhan Spielsalon GmbH, Germany, followed by the transfer of 5 gaming halls. The acquired company, therefore, operates five gaming facilities with 58 AWP (Amusement with Prizes) gaming machines. With this acquisition, the Group strengthens its market position in the German gaming sector.

In January 2016, a 75 percent stake in Electro Systems S.p.A., Italy, was acquired by NOVOMATIC Italia S.p.A., Italy. The acquired company develops and manufactures CPUs for AWP gaming machines. Call and put options have been agreed upon for the remaining 25 percent stake of non-controlling interests. With this acquisition, the Group enhances its production capacity for the Italian market.

Also in January 2016, 100 percent of the shares of Alpina Games II S.r.l., Italy, were acquired by the Group company Allstar S.r.l., Italy. The subject of the transaction is the placement of 460 AWP in hospitality establishments. This acquisition enhances the Group's market position in the Italian market for machine placement.

In February 2016, Luxury Leisure Ltd., United Kingdom, acquired a gaming hall in Hastings, United Kingdom, through an asset deal. The acquired gaming hall is an operating business.

The preliminary fair values of the acquisitions listed above are as follows:

EUR m	fair values
Intangible assets	1.2
Property, plant and equipment	2.8
Other non-current assets	0.0
Deferred tax assets	0.0
Inventories	3.4
Cash and cash equivalents	4.6
Other current assets	7.3
Non-current liabilities and provisions	-2.7
Deferred tax liabilities	0.0
Current liabilities and provisions	-6.9
<b>Net assets</b>	<b>9.6</b>
<b>Non-controlling interests</b>	<b>-1.6</b>
Goodwill	12.3
<b>Consideration</b>	<b>20.3</b>

The consideration for the listed acquisitions amounted to EUR 20.3 million, with EUR 17.1 million paid in cash (of which EUR 16.7 million have already been transferred) and EUR 3.2 million resulting from contingent considerations. The contingent purchase price is dependent on the development of underlying earnings figures during future periods.

Goodwill resulting from the acquisitions reflects the expected strategic advantages for the Group due to the expansion of operational business activities in the corresponding markets. Based on a preliminary assessment, goodwill will not be tax-deductible.

Purchase price allocations are not yet fully completed. The information provided above is therefore based on the acquired companies' latest available financial data.

#### Acquisitions subject to suspensive conditions

For further information on agreements related to the planned acquisition of shares in Casinos Austria Aktiengesellschaft, Austria, as well as Ainsworth Game Technology Ltd., Australia, please refer to the details on significant events after the balance sheet date laid out in the management report.

#### Capital increase

In April 2016, Gryphon Invest AG increased its interest in NOVOMATIC AG from 8 percent to 10 percent. In the context of this transaction, NOVOMATIC AG increased its share capital by EUR 0.6 million, while the appropriated capital reserve increased by EUR 84.4 million.

## Exemption from disclosure for Group companies

The following German companies are included in NOVOMATIC AG's consolidated financial statements as per IFRS as fully-consolidated companies and avail themselves of the possibility of exemption from a disclosure of their financial statements as of December 31, 2015, as granted under section 264 para 3 and section 264 b of the German Commercial Code:

- LÖWEN Entertainment GmbH, Bingen
- ADMIRAL Play GmbH, Düsseldorf
- BPA Freizeit- & Unterhaltungsbetriebe GmbH, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH I, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH III, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH IV, Munich
- Casino Entertainment GmbH & Co. KG, Pfullendorf
- Conrad Spielautomaten GmbH, Pfullendorf
- CROWN Technologies GmbH, Rellingen
- Domino-Automaten-Betriebs-GmbH, Pfullendorf
- EXTRA Games Entertainment GmbH, Pfullendorf
- HP Automatenbetriebs GmbH, Pfullendorf
- IDEAL Entertainment GmbH, Wildeshausen
- NWC Nord West Casino Beteiligungs GmbH, Wildeshausen
- NWC Nord West Casino GmbH & Co. KG, Wildeshausen
- Play-Point Spielhallen- u. Automatenbetriebsgesellschaft mbH, Pfullendorf

## Company Bodies

**The following members of the Executive Board were appointed for the 2015 fiscal year and beyond:**

- Harald Neumann (CEO)
- Ryszard Presch (deputy chairman until 8 October 2015 and since 22 March 2016, COO since 5 January 2016)
- Thomas Graf (CTO)
- Peter Stein (CFO)
- Dr. Christian Widhalm (CIO since March 8, 2016)

**In fiscal year 2015 and during the time of preparation of this report, the Supervisory Board consisted of the following members:**

- Senator Herbert Lugmayr (Chairman of the Supervisory Board)
- Dr. Christian Widhalm (Deputy Chairman of the Supervisory Board until March 8, 2016)
- Martina Flitsch (Deputy Chairwoman of the Supervisory Board since March 8, 2016, previously member of the Supervisory Board)
- Martina Kurz (member until October 8, 2015 and since March 8, 2016)
- Barbara Feldmann (member until October 8, 2015 and since March 8, 2016)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to EUR 4.1 million (previous year: EUR 11.4 million). Of the expenses for severance payments and pensions, EUR -0.1 million (previous year: EUR -1.6 million) and EUR 0.1 million (previous year: EUR 3.3 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.3 million (previous year: EUR 0.4 million) for their functions. No loans or contingencies were granted to members of the Supervisory Board or of the Executive Board in fiscal year 2015.



Martina Kurz, Barbara Feldmann, Senator Herbert Lugmayr, Martina Flitsch

## Publication

The present consolidated financial statements were released on April 19, 2016 by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

## Statement by the Executive Board

We confirm that to the best of our knowledge the consolidated financial statements as of December 31, 2015, give a true and fair view of the financial position, the financial performance and the cash flows of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report as of December 31, 2015, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

We confirm that to the best of our knowledge the annual financial statements of NOVOMATIC AG as of December 31, 2015, give a true and fair view of the financial position, the financial performance and the cash flows of the Company as required by the Austrian Commercial Code (UGB), and that the management report as of December 31, 2015, gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties which the Company faces.

Gumpoldskirchen, April 19, 2016

The Executive Board of NOVOMATIC AG



**Harald Neumann**  
CEO



**Ryszard Presch**  
Deputy CEO  
COO



**Thomas Graf**  
CTO



**Peter Stein**  
CFO



**Dr. Christian Widhalm**  
CIO

# NOVOMATIC AG

# Auditor's Report

## *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, comprising of the consolidated balance sheet as of December 31, 2015, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, and the notes.

### **Management's Responsibility for the Consolidated Financial Statements**

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. These principles require the application of International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under section §245a UGB.

## Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Group's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a para 2 UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a para 2 UGB are appropriate.

Vienna, April 19, 2016

Deloitte Audit Wirtschaftsprüfungs GmbH

**Dr. Christoph Waldeck**

Certified Public Accountant

**ppa. Barbara Müllner**

Certified Public Accountant

The consolidated financial statements and our auditor's report may be published or transmitted together only if the financial statements and the management report are identical to the confirmed version. This auditor's report refers exclusively to the complete consolidated financial statements in German, including the management report for the Group. Section 281 para 2 of the Austrian Commercial Code applies to versions that differ.

# Individual STATE





# Financial MENT



# NOVOMATIC AG

## Balance Sheet

as of 31 December 2015

### Assets

A. FIXED ASSETS	12/31/2015		12/31/2014
	EUR	EUR	KEUR
<b>I. Intangible assets</b>			
1. Industrial and similar rights and assets and licenses in such rights and assets		23,282,178.97	39,267
<b>II. Property, plant and equipment</b>			
1. Land, buildings and improvements to third-party buildings	144,977,714.25		152,348
2. Plant and machinery	95,625.47		109
3. Office fixtures, fittings and equipment	1,855,692.26		1,929
4. Tangible assets in course of construction	522,316.76	147,451,348.74	6,328
<b>III. Financial assets</b>			
1. Shares in affiliated companies	762,369,468.69		556,947
2. Loans to affiliated companies	264,933,311.56		274,594
3. Investments	237,500.00		475
4. Loans to associated companies	422,019.62		842
5. Securities held as fixed assets	12,261,380.53		21,841
6. Other loans	8,166,855.91	1,048,390,536.31	4,779
		<b>1,219,124,064.02</b>	<b>1,059,459</b>
<b>B. CURRENT ASSETS</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	165,081.45		388
2. Receivables from affiliated companies	37,728,585.60		26,283
3. Other receivables and assets	51,326,978.60	89,220,645.65	36,600
<b>II. Securities and interests</b>		10,589,012.46	11,710
<b>III. Cash, bank deposits</b>		121,643,411.31	229,202
		<b>221,453,069.42</b>	<b>304,183</b>
<b>C. PREPAID EXPENSES</b>			
1. Prepaid expenses	5,464,520.84		6,090
2. Deferred tax assets	6,650,474.24		7,001
3. Discount	376,514.27		496
		<b>12,491,509.35</b>	<b>13,587</b>
		<b>1,453,068,642.79</b>	<b>1,377,229</b>

## Shareholders' equity and liabilities

A. SHAREHOLDERS' EQUITY	12/31/2015	12/31/2014
	EUR	EUR
	EUR	KEUR
I. Share capital	26,000,000.00	26,000
II. Capital reserves (tied up)	976,371.00	976
III. Retained earnings (legal reserve)	1,623,629.00	1,624
IV. Retained profits (of which retained profits brought forward EUR 111,298,368.39; prior year: KEUR 242,954)	151,914,382.91	263,298
	<b>180,514,382.91</b>	<b>291,898</b>
<b>B. UNTAXED RESERVES</b>		
Valuation reserve from special depreciation allowances	<b>20,527.18</b>	<b>19</b>
<b>C. PROVISIONS</b>		
1. Provisions for severance payments	778,857.00	1,404
2. Provisions for pensions	6,813,647.00	6,666
3. Provisions for taxes	1,747,902.19	3,547
4. Other provisions	5,099,128.36	6,155
	<b>14,439,534.55</b>	<b>17,772</b>
<b>D. LIABILITIES</b>		
1. Bonds	600,000,000.00	800,000
2. Due to banks	435,682,409.12	82,034
3. Trade payables	2,503,573.13	4,500
4. Payables to affiliated companies	198,267,644.20	155,788
5. Other liabilities		
a. of which taxes	18,352.57	952
b. of which social security	24,318.71	167
c. other	21,597,900.42	24,099
	<b>1,258,094,198.15</b>	<b>1,067,540</b>
	<b>1,453,068,642.79</b>	<b>1,377,229</b>
<b>Contingent liabilities</b>	<b>108,991,903.54</b>	<b>85,991</b>

# NOVOMATIC AG

## Profit and Loss Account

for the period from 1 January 2015 to 31 December 2015

	EUR	2015 EUR	2014 KEUR
<b>1. Sales</b>		74,220,951.61	74,038
<b>2. Other operating income</b>			
a. Income from the disposal of fixed assets except financial assets	48,504.04		505
b. Income from the release of provisions	12,527.43		88
c. Other	4,301,071.97	4,362,103.44	9,623
<b>3. Personnel expenses</b>			
a. Salaries	-10,827,816.33		-13,456
b. Expenses for severance payments and contributions to external severance payments funds	-461,027.64		1,322
c. Pension expenses	-101,480.84		-3,379
d. Cost of statutory social security, payroll-related taxes and mandatory contributions	-1,219,553.38		-1,629
e. Other social expenses	-164,253.32	-12,774,131.51	-301
<b>4. Amortization and depreciation</b>			
a. of intangible assets and of tangible assets (thereof extraordinary depreciation EUR 8,792,646.36 prior year: KEUR 4,232)		-31,341,795.96	-29,201
<b>5. Other operating expenses</b>			
a. Taxes not included in line 15	-131,092.37		-259
b. Other	-80,984,126.42	-81,115,218.79	-46,078
<b>6. Operating income</b> (subtotal of lines 1 to 5)		<b>-46,648,091.21</b>	<b>-8,727</b>

7. Investment income (thereof from affiliated companies: EUR 106,081,316.44; prior year: KEUR 58,000)	106,081,316.44	58,000
8. Income from other investments and long-term loans (thereof from affiliated companies: EUR 8,694,234.30; prior year: KEUR 11,857)	9,880,846.75	12,592
9. Other interest and similar income (thereof from affiliated companies: EUR 99,795.05; prior year: KEUR 0)	213,896.29	1,149
10. Income from the disposal of and the appreciation to financial assets and securities held as current assets	6,056,886.77	3,683
11. Expenses from financial assets and securities held as current assets (thereof depreciation: EUR 9,173,996.04; prior year: KEUR 13,509) (thereof from affiliated companies: EUR 8,469,357.12; prior year: KEUR 2,512)	-9,180,217.15	-13,519
12. Interest and similar expenses (thereof related to affiliated companies: EUR 673,302.56; prior year: KEUR 786)	-33,313,441.21	-36,900
<b>13. Financial result</b> (subtotal of lines 7 to 12)	<b>79,739,287.89</b>	<b>25,005</b>
<b>14. Results from ordinary activities</b>	<b>33,091,196.68</b>	<b>16,278</b>
15. Taxes on income (thereof tax apportionment EUR 6,148,446.29; prior year: KEUR 7,539)	7,526,159.59	3,947
<b>16. Net income for the year</b>	<b>40,617,356.27</b>	<b>20,225</b>
17. Disposals of untaxed reserves Valuation reserve from special depreciation allowances	11,193.61	125
18. Allocation to untaxed reserves Valuation reserve from special depreciation allowances	-12,535.36	-6
<b>19. Net profit for the year</b>	<b>40,616,014.52</b>	<b>20,344</b>
20. Profits carried forward from previous year	111,298,368.39	242,954
<b>21. Retained profits</b>	<b>151,914,382.91</b>	<b>263,298</b>

# Notes

*for the financial year 2015*

## I. ACCOUNTING AND VALUATION PRINCIPLES

The annual accounts were prepared in compliance with the relevant requirements and generally accepted accounting principles to present a true and fair view, in all material respects, of the financial position and results of the operations.

The principles of completeness and non-arbitrariness were applied. Valuation followed the principles of adequate and orderly accounting as well as the going concern assumption and was based on the valuation principles applied to last year's annual accounts unless changes in the valuation principles are explicitly stated for individual items. Assets and liabilities were assessed individually as of the balance sheet date.

In accordance with the principle of prudence, only profits realized as of the balance sheet date are shown and all apparent risks and impending losses that incurred during the current period or in previous periods were considered.

The profit and loss account was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss account showing a zero balance for the current and previous period were not listed in accordance with section 223 para 7 of the Austrian Commercial Code.

The intangible assets, only if acquired against payment, as well as the tangibles were, stated at cost of acquisition or production less the scheduled depreciation corresponding to the expected useful life and less a potentially necessary extraordinary depreciation. Through the allocation to a valuation reserve in accordance with section 205 para 1 of the Austrian Commercial Code, low-value assets are fiscally completely written off in the year of their acquisition or production.

Receivables and other assets were stated at nominal value less necessary allowances. Overdue receivables were discounted and, for bad debts, a lump sum value adjustment was allowed.

In application of the principle of prudence, all identifiable risks and all liabilities of an uncertain amount and/or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their redemption amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.

## II. EXPLANATIONS CONCERNING THE BALANCE SHEET

### ASSETS

#### A. Fixed assets

##### 1. Intangible assets and property, plant and equipment

Fixed assets are stated at cost of acquisition or production less planned linear depreciation corresponding to the estimated useful life.

The development of each item in the fixed assets and the breakdown of the annual depreciation are shown in the fixed assets schedule.

###### 1.1. Intangible assets

Intangible assets are stated at acquisition cost less planned linear depreciation according to a useful life of 4–10 years.

Additions of KEUR 12 are related to program software.

The book values of intangible assets acquired from affiliated companies add up to KEUR 21,458 (previous year: KEUR 36,709).

###### 1.2. Property, plant and equipment

The real estate value of undeveloped and developed land amounts to KEUR 37,726 (previous year: KEUR 37,258).

Other tangible assets are stated at cost of acquisition or production less planned linear depreciation (spread over 25 to 50 years for buildings, 4 to 10 years for movable assets and structural investments). Low-value assets were capitalized through the allocation to a valuation reserve in accordance with section 205 para 1 of the Austrian Commercial Code in the item of office fixtures, fittings and equipment.

The significant additions of the current year concern the acquisition of company land in Gumpoldskirchen as well as the transfer of property located in Bruck an der Leitha.

##### 2. Financial assets

Financial assets are valued at their acquisition costs.

Securities are valued at their acquisition costs or their lower market values as of the balance sheet date.

Impairment of book values of domestic and foreign investments will be applied in the case of:

- a persistent deterioration of earnings, and/or
- the necessity of support from the shareholder, and/or
- deficient means and measures on the occasion of the acquisition, and/or
- reorganization measures that will not result in substantial profits in the foreseeable future and represent deficiencies that cannot be eliminated anytime soon, and/or
- losses that can no longer be absorbed by the affiliated company alone.

Impairment is not applied in the case of mere start-up losses.

Additions to the shares in affiliated companies amounting to KEUR 213,957 are mainly due to the acquisition of three Austrian companies and capital increases at an American and an Italian subsidiary.

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 264,933 (previous year: KEUR 274,594). This change concerned both disbursements to and repayments from subsidiaries in markets with promising growth prospects.

Other loans increased because of the appropriation of long-term funds to business associates of KEUR 3,464, combined with a decrease by KEUR 76 due to repatriations. Thus, the total acquisition costs as of December 31, 2015, amounted to KEUR 23,554 (previous year: KEUR 20,166). Accumulated impairment remained at the previous year's level of KEUR 15,387.

Of loans granted to affiliated companies, an amount of KEUR 24,989 (previous year: KEUR 6,445) is due within one year. Of the other loans, an amount of KEUR 1,827 (previous year: KEUR 0) is due within one year.

## **B. Current assets**

### **1. Receivables and other assets**

#### **1.1. Trade receivables**

Trade receivables are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. Receivables are – as in the previous year – due within less than one year.

#### **1.2. Receivables from affiliated companies**

Receivables from affiliated companies concern particularly allocations of KEUR 17,792 with the subsidiary NOVOMATIC Gaming Industries GmbH, KEUR 2,428 with the subsidiary ADMIRAL Casinos & Entertainment AG, KEUR 4,180 with the subsidiary HTM Hotel und Tourismus Management GmbH, and KEUR 8,362 with the subsidiary Wett Cafe Betriebs GmbH. The balances of ADMIRAL Casinos & Entertainment AG, HTM Hotel und Tourismus Management GmbH and Wett Cafe Betriebs GmbH include mainly the allocations concerning the distribution of the tax burdens.

The receivables from affiliated companies include trade receivables of KEUR 23,587 (previous year: KEUR 18,591). The remaining time to maturity of the receivables – as in the previous year – is less than one year.

#### **1.3. Other receivables and assets**

Other receivables and assets amounting to KEUR 51,327 (previous year: KEUR 36,599) mainly concern a deposit related to precious metals amounting to KEUR 31,400 (previous year: KEUR 31,750) as well as credit balances with the tax authorities. The remaining other receivables of KEUR 66 (previous year: KEUR 66) are due in more than one year.

## **C. Prepaid expenses**

The prepaid expenses amounting to KEUR 12,491 (previous year: KEUR 13,588) consist of deferred tax assets, capitalized discounts and expenditures pertaining to 2015 and the following years.



## SHAREHOLDERS' EQUITY AND LIABILITIES

### A. Shareholders' Equity

The share capital of the Company amounts to KEUR 26,000, as in the previous year.

Capital reserves tied-up amounting to KEUR 976 and legal reserves amounting to KEUR 1,624 remained unchanged, whereby the total appropriated reserves – amounting to KEUR 2,600 – correspond to 10 percent of the share capital as required by law.

### B. Untaxed reserves

The valuation reserve concerns low-value assets according to section 13 of the Austrian Income Tax Act (EStG). Regarding the development of untaxed reserves, we refer to the enclosed supplement.

### C. Provisions

In compliance with the principle of prudence, all identifiable risks and liabilities of an uncertain amount and/or origin at the balance sheet date were accounted for by setting up provisions according to reasonable commercial judgment.

The provisions for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 2.0 percent (previous year: 2.0 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent). The minimum legal retirement age according to ASVG regulations was assumed. Discounts due to fluctuations or other circumstances were not included.

The expenses for severance payments, at KEUR 346 (previous year: KEUR -1,414), concern changes in provisions.

Due to irrevocable pension commitments, a pension provision was formed. The calculation was conducted applying actuarial principles in accordance with IAS 19 using the projected unit credit method with an interest rate of 2.0 percent (previous year: 2.0 percent) and value adjustments of 3 percent. Pension expenses, at KEUR 148 (previous year: KEUR 3,339), concern changes in provisions.

Other provisions consist of those for auditing and consulting fees, expenses of annual reports, bonus payments to the Executive Board, unconsumed vacation and jubilee payments. Provisions for jubilee payments were also calculated in line with actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 2.0 percent (previous year: 2.0 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent).

The provisions for unused vacation are calculated under the assumption of a divider of 18 working days per month.

We refer to the enclosed supplement showing the development of provisions.

The provision for the deferred tax liability amounting to KEUR 1,748 (previous year: KEUR 3,547) has been accrued due to the allocation of losses of foreign group members according to section 9 of the Austrian Corporate Income Tax Act (KStG), which are taxable in Austria at the time of utilization of losses according to the applicable foreign law. Due to the different maturities, the deferred tax liabilities have not been netted with the deferred tax assets, which are shown separately as prepaid expenses.

## D. Liabilities

### Maturity

KEUR	Total value of the Liabilities		
	with a maturity of less than 1 year	with a maturity of 1 to 5 years	with a maturity of over 5 years
<b>Bonds</b>	0	400,000	200,000
(previous year)	200,000	400,000	200,000
<b>Due to banks</b>	11,476	383,581	40,625
(previous year)	63,224	12,810	6,000
<b>Trade payables</b>	2,504	0	0
(previous year)	4,500	0	0
<b>Payables to affiliated companies</b>	198,268	333	0
(previous year)	155,460	328	0
<b>Other liabilities</b>	21,641	0	0
(previous year)	25,218	0	0

In 2010, two bonds were issued as part of an issuance program to support further growth in the areas of development, production and gaming operations. The January 2010 bond has a volume of KEUR 200,000, a maturity of 5 years and bears interest of 4.5 percent p.a.; the October 2010 bond has a volume of KEUR 150,000, a maturity of 7 years and bears interest of 5 percent p.a.

In 2013, another bond was issued with a volume of KEUR 250,000, a maturity of 6 years and interest of 4 percent p.a., and in 2014, a bond was issued with a volume of KEUR 200,000, a maturity of 7 years and interest of 3 percent p.a. In 2015, the bond issued in 2010 with a volume of KEUR 200,000 and an interest rate of 4.5 percent was repaid as scheduled.

Payables to affiliated companies amounting to KEUR 157,958 (previous year: KEUR 142,606) concern other liabilities. Of this sum, a significant amount of KEUR 157,958 (previous year: TEUR 142,554) is due to the implementation of cash pooling agreements with Austrian and foreign subsidiaries in 2013. "Other liabilities" contains expenses of KEUR 15,535 (previous year: KEUR 25,179) that will become cash-effective only after the balance sheet date.

### E. Contingent liabilities

At the balance sheet date, there are contingent liabilities amounting to KEUR 108,992 (previous year: KEUR 85,991); of this sum, an amount of KEUR 108,992 (previous year: KEUR 82,291) concerns affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies and are composed as follows:

**a) Contingent liabilities**

KEUR				
Bank	Beneficiary company	Security	Ceiling	As of 12/31/2015
UniCredit Bank Austria AG Vienna	HTM Hotel und Tourismus Management GmbH	Comfort letter	7,418	7,418
UniCredit Bank Austria AG Vienna	I-New Unified Mobile Solutions AG	Guarantee	500	500
Raiffeisenlandesbank OOE	HTM Hotel und Tourismus Management GmbH	Comfort letter	3,000	3,000
Raiffeisenlandesbank Burgenland	I-New Unified Mobile Solutions AG	Guarantee	600	600
Raiffeisenlandesbank OOE	ADMIRAL Casinos & Entertainment AG	Comfort letter	600	600
Erste Group Bank AG	ADMIRAL Casinos & Entertainment AG	Guarantee	4,233	4,233
Oberbank Leasing	I-New Unified Mobile Solutions AG	Comfort letter	9,471	9,471
Hypo Bank Burgenland	ADMIRAL Casinos & Entertainment AG	Guarantee	176	176
Hypo Bank Burgenland	I-New Unified Mobile Solutions AG	Guarantee	1,800	1,800
UniCredit Bank Austria AG Vienna	Crown Gaming S.A.C.	Guarantee	18,437	14,842
Kensington Business Center	Novomatic Americas Sales LLC	Guarantee	1,041	1,041
Nord LB	ADMIRAL Sportwetten GmbH, Germany	Guarantee	1,500	1,500
Svenska Handelsbanken AB	Astra Games Ltd.	Guarantee	7,629	7,629
UniCredit S.p.A., Roma	NOVOMATIC Italia S.p.A.	Guarantee	56,182	56,182
Raiffeisenlandesbank NÖ-Wien	ADMIRAL Sportwetten GmbH	Comfort letter	3,300	0
<b>TOTAL</b>				<b>108,992</b>

**b) Off-balance-sheet transactions**

In 2015, letters of comfort were issued to an Austrian subsidiary.

**c) Information regarding the nature of provided physical securities:**

Type of provided physical security	Number of contribution	Cadastre	Pledged amount (KEUR)
Mortgage as security for a loan	3184	Mödling	3,000

**F. Other financial obligations**

Obligations from current lease contracts comprise:

KEUR	Due within 1 year	Due within 5 years
Obligations from current lease contracts	1,120	5,504
(previous year)	1,123	5,614

### III. EXPLANATIONS CONCERNING THE PROFIT & LOSS ACCOUNT

#### 1. Breakdown of sales

##### 1.1. by segments:

KEUR	Reporting period	Previous year
Income from trademarks and licenses	56,748	50,287
Provision of personnel	3,112	3,763
Income from rental and operating costs	14,361	19,988
	<b>74,221</b>	<b>74,038</b>

##### 1.2. by geographical markets:

KEUR	Reporting period	Previous year
Domestic income	65,080	64,105
International income (EU)	9,141	9,933
	<b>74,221</b>	<b>74,038</b>

#### 2. Extraordinary depreciation

Due to the revocation of the decisions regarding casino licenses, extraordinary depreciation amounting to KEUR 6,290 was recorded for the planned casino locations in Vienna and Lower Austria during fiscal year 2015. Another extraordinary depreciation of KEUR 2,502 was applied to a property in Baden where the selling price has already been determined. Both extraordinary impairment losses were fully recognized in the results for fiscal year 2015.

#### 3. Taxes on income

Taxes only affect results from ordinary activities.

NOVOMATIC AG has taken the opportunity of forming a tax group pursuant to section 9 of the Austrian Corporate Income Tax Act (KStG).

Group members are:

- HTM Hotel- und Tourismus Management GmbH, Austria
- Wett Cafe Betriebsgesellschaft m.b.H., Austria
- ADMIRAL Casinos & Entertainment AG, Austria
- Gastronomie- und Unterhaltungselektronik Betriebs GmbH, Austria (merger with HTM as of December 31, 2014)
- NMN Automatentechnik GmbH (since 2015)
- NOVOMATIC Italia S.p.A., Italy

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5 percent or 25 percent (tax rate pursuant to section 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. For the allocated losses there exists a symmetrical agreement, whereby losses that cannot be allocated are to be credited as "internal tax loss carried forward" at 21.5 percent of the assessment basis if they are usable.

In the case of elimination of a member from the tax group, negative – unused – results of the group member will be charged with 21.5 percent of the assessment basis on the final settlement.

No tax apportionment contracts were concluded with the foreign group members.

In detail, the item taxes on income presents itself as follows:

KEUR

Corporate income tax expense in 2015	4
Corporate income tax expense in previous years	6
Corporate income tax expense for deferred taxes	-1,448
Foreign withholding tax expense	60
Expense from tax apportionment "tax group" previous years	0
Income from tax apportionment "tax group"	-6,148
<b>Total</b>	<b>-7,526</b>

#### IV. INFORMATION ON SIGNIFICANT INVESTMENTS

Company, domicile	Share	Book value as	Equity	Annual result
		of 12/31/2015	EUR	EUR
		EUR	EUR	EUR
NOVOMATIC Italia S.p.A., Rimini (IT)	100 %	260,315,000	193,717,434	10,352,894
ADMIRAL Casinos & Entertainment AG (AT)	100 %	65,000,000	44,870,770	8,345,887
NOVOMATIC Gaming Industries GmbH, Gumpoldskirchen (AT)	100 %	164,304,397	813,990,249	106,222,475
HTM Hotel- u. Tourismus Management GmbH, Gumpoldskirchen (AT)	100 %	1,072,607	56,832,220	-2,061,148
Treuhandgesellschaft 10 (CH)	100 %	55,000	33,600	-27,080
NMN Automatentechnik GmbH (AT)	99 %	2,619,219	3,054,169	-856
Novomatic Investment Chile S.A., Santiago (CL)	100 %	1,344,421	3,050,462	-314,662
Novo Immobilien GmbH, Bingen/Rhein (DE)	99.8 %	3,000,000	15,982,866	2,439,071
Norddeutsche Spielbanken GmbH (DE)	100 %	25,000	20,461	-3
Novomatic Americas Holding Inc., Florida (USA)	100 %	21,384,590	31,247,702	-119,908
Spielbank Berlin G.Jaenecke GmbH & Co. KG (DE)	92.04 %	13,562,000	11,888,083	643,553
Spielbank Berlin Entertainment GmbH & Co. KG (DE)	92.50 %	34,001	-3,200,338	444,672
Spielbank Berlin nat. Beteiligungsges. m.b.H. & Co. KG (DE)	100 %	2,730,002	2,142,584	-12,360
I-New Unified Mobile Solutions AG (AT)	76.814 %	12,586,735	-3,777,010	3,306,342
Novo Lottery Solutions GmbH (AT)	100 %	27,000,000	22,043,279	-3,701,698
Novo Lottery Solutions Iceland hf (IS)	0.24 %	245.56	28,116,981	1,494,636
SIM Spielbanken Investitions- und Management GmbH, Frankfurt (DE)	100 %	25,619	40,415	3,746
SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co. KG, Frankfurt (DE)	100 %	6,851,026	7,428,992	516,435
BAIH Beteiligungsverwaltungs GmbH (AT)	100 %	54,197,522	43,582,543	2,665,249
RSV Beteiligungs GmbH (AT)	100 %	72,330,974	4,000,157	3,467,836
LTB Beteiligungs GmbH (AT)	75.1 %	53,931,110	4,031,873	3,480,000
Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H. (AT)	47.5 %	475,000	405,888	-80,834

Statements concerning intragroup relationships are omitted in accordance with section 241 para 3 of the Austrian Commercial Code.

## V. INFORMATION ON FINANCIAL INSTRUMENTS

On October 16, 2015, an interest rate swap with a nominal value of KEUR 77,500 and maturity date of October 8, 2020, was concluded. Its net present value, including interest, amounts to KEUR -111 as of December 31, 2015.

The market value corresponds to the value that would be received or paid if the contract was settled as of the balance sheet date. Past cash flows (interest payments) are not taken into consideration. Future cash flows from variable payments as well as discount rates are determined based on generally accepted financial mathematical models. The negative market values are recorded in the other provisions for impending losses.

## VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

### 1.1. Average number of employees during the fiscal year

Number of employees: 75 (previous year: 87)

### 1.2. Members of the Executive Board and the Supervisory Board during the fiscal year

Executive Board:

- Harald Neumann, chairman
- Ryszard Presch, deputy chairman (until 8 October 2015)
- Ryszard Presch, COO (since 5 January 2016)
- Ryszard Presch, deputy chairman (since 22 March 2016)
- Peter Stein, CFO
- Thomas Graf, CTO
- Dr. Christian Widhalm, CIO (since 8 March 2016)

Supervisory Board:

- Senator Herbert Lugmayr, chairman
- Dr. Christian Widhalm, deputy chairman (until 8 March 2016)
- Barbara Feldmann, member (until 8 October 2015)
- Barbara Feldmann, member (since 8 March 2016)
- Martina Kurz, member (until 8 October 2015)
- Martina Kurz, member (since 8 March 2016)
- Martina Flitsch, member (until 8 March 2016)
- Martina Flitsch, deputy chairman (since 8 March 2016)

### 1.3. Other Information

During fiscal year 2015, gross payments of EUR 3,921,957.64 were made to members of the Executive Board. No advances, loans or liabilities were granted to members of the Executive Board. Payments made to members of the Supervisory Board during the year under review amounted to EUR 212,100.00.

Expenses for severance payments and pensions for the members of the Executive Board amounted to EUR -137,618.49 and EUR 147,985.00, respectively. The item "expenses for severance payments and contributions to external severance payment funds" includes payments to external severance payment funds amounting to KEUR 94 (previous year: KEUR 92).

#### 1.4 Consolidated financial statements

NOVOMATIC AG is required by law to prepare and disclose subgroup consolidated financial statements according to section 246 para 3 of the Austrian Commercial Code. The financial statements for the subgroup NOVOMATIC AG are included in the consolidated financial statements of NOVO Invest GmbH with its registered office in Gumpoldskirchen – as head of the group – and are filed at the Regional Court of Wiener Neustadt under FN 381832v.

#### 1.5 Audit fees

Fees for the audit of the financial statements and expenses for other services of the auditor are presented in the subgroup consolidated financial statements of NOVOMATIC AG.

### VII. SPECIAL INFORMATION ON SHAREHOLDING COMPANIES

The share capital of EUR 26,000,000.00 is fully paid up and is divided into 26,000,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, April 19, 2016

NOVOMATIC AG



**Harald Neumann**  
Chairman,  
Chief Executive Officer, CEO



**Ryszard Presch**  
Deputy Chairman,  
Chief Operating Officer, COO



**Thomas Graf**  
Chief Technology Officer, CTO



**Peter Stein**  
Chief Financial Officer, CFO



**Dr. Christian Widhalm**  
Chief Investment Officer, CIO

# NOVOMATIC AG

## Fixed Assets

as of 12/31/2015

EUR	Development at cost of acquisition and production					Balance as of 12/31/2015
	Balance as of 1/1/2015	Additions	Transfers	Reallocation	Disposals	
<b>A. FIXED ASSETS</b>						
<b>I. Intangible assets</b>						
<b>1. Industrial and similar rights and assets and licenses in such rights and assets</b>						
Rights	12,465,172.03	0.00	0.00	0.00	0.00	12,465,172.03
Technical software	123,400,219.21	0.00	0.00	0.00	0.00	123,400,219.21
Software	874,385.55	12,520.00	0.00	0.00	603,189.57	283,715.98
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00
	136,739,776.79	12,520.00	0.00	0.00	603,189.57	136,149,107.22
<b>II. Property, plant and equipment</b>						
<b>1. Land, buildings and improvements to third-party buildings</b>						
Land	8,069,575.80	1,223,583.61	0.00	0.00	0.00	9,293,159.41
Buildings – real estate value	32,587,761.44	0.00	0.00	0.00	0.00	32,587,761.44
Buildings – value of building	138,713,833.61	56,583.07	0.00	0.00	0.00	138,770,416.68
Structural investments in leased property	2,796,160.66	0.00	0.00	0.00	0.00	2,796,160.66
Buildings on non-owned land	24,735,393.35	6,669.33	0.00	0.00	0.00	24,742,062.68
	206,902,724.86	1,286,836.01	0.00	0.00	0.00	208,189,560.87
<b>2. Plant and machinery</b>						
Plant and machinery	212,930.38	0.00	0.00	0.00	0.00	212,930.38
Tools and tool costs	21,353.26	0.00	0.00	0.00	21,353.26	0.00
	234,283.64	0.00	0.00	0.00	21,353.26	212,930.38
<b>3. Office fixtures, fittings and equipment</b>						
Office fixtures, fittings and equipment	5,309,087.61	153,157.41	160,404.67	0.00	459,758.93	5,162,890.76
Car pool	1,417,317.27	40,068.92	0.00	0.00	12,633.64	1,444,752.55
Low-value assets	65,560.52	12,535.36	0.00	0.00	0.00	78,095.88
	6,791,965.40	205,761.69	160,404.67	0.00	472,392.57	6,685,739.19
<b>4. Tangible assets in course of construction</b>						
Tangible assets in course of construction	6,327,794.57	650,598.70	-160,404.67	0.00	5,500.00	6,812,488.60
	6,327,794.57	650,598.70	-160,404.67	0.00	5,500.00	6,812,488.60
	220,256,768.47	2,143,196.40	0.00	0.00	499,245.83	221,900,719.04
<b>III. Financial Assets</b>						
<b>1. Shares in affiliated companies</b>						
Shares in affiliated companies	560,424,488.00	213,957,212.34	0.00	0.00	300,000.00	774,081,700.34
<b>2. Loans to affiliated companies</b>						
Loans to affiliated companies	278,543,801.54	84,262,947.51	0.00	0.00	95,923,437.49	266,883,311.56
<b>3. Investments</b>						
Investments	475,000.00	0.00	0.00	0.00	0.00	475,000.00
<b>4. Loans to associated companies</b>						
Loans to associated companies	842,620.29	73,173.66	0.00	0.00	71,754.66	844,039.29
<b>5. Securities held as fixed assets</b>						
Securities held as fixed assets	24,855,000.99	1,630,573.14	0.00	0.00	12,736,024.80	13,749,549.33
<b>6. Other loans</b>						
Other loans	20,166,312.60	3,463,741.69	0.00	0.00	75,989.94	23,554,064.35
	885,307,223.42	303,387,648.34	0.00	0.00	109,107,206.89	1,079,587,664.87
<b>TOTAL FIXED ASSETS</b>	<b>1,242,303,768.68</b>	<b>305,543,364.74</b>	<b>0.00</b>	<b>0.00</b>	<b>110,209,642.29</b>	<b>1,437,637,491.13</b>



Development of Amortization/Depreciation							Book Values		
Balance as of 1/1/2015	Additions	thereof extraordinary depreciation	Transfers	Reallocation	Disposals	Write-ups	Balance as of 12/31/2015	Balance as of 12/31/2014	Balance as of 12/31/2015
9,991,534.94	662,217.64	0.00	0.00	0.00	0.00	0.00	10,653,752.58	2,473,637.09	1,811,419.45
86,691,013.16	15,251,219.64		0.00	0.00	0.00	0.00	101,942,232.80	36,709,206.05	21,457,986.41
790,487.91	80,005.16		0.00	0.00	599,550.20	0.00	270,942.87	83,897.64	12,773.11
0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
97,473,036.01	15,993,442.44	0.00	0.00	0.00	599,550.20	0.00	112,866,928.25	39,266,740.78	23,282,178.97
0.30	0.00		0.00	0.00	0.00	0.00	0.30	8,069,575.50	9,293,159.11
3,399,183.09	756,015.39	197,643.30	0.00	0.00	0.00	0.00	4,155,198.48	29,188,578.35	28,432,562.96
33,995,141.60	7,176,790.08	2,231,536.19	0.00	0.00	0.00	0.00	41,171,931.68	104,718,692.01	97,598,485.00
2,696,481.42	61,728.10		0.00	0.00	0.00	0.00	2,758,209.52	99,679.24	37,951.14
14,463,568.98	662,937.66	6,383.50	0.00	0.00	0.00	0.00	15,126,506.64	10,271,824.37	9,615,556.04
54,554,375.39	8,657,471.23	2,435,562.99	0.00	0.00	0.00	0.00	63,211,846.62	152,348,349.47	144,977,714.25
104,100.83	13,204.08		0.00	0.00	0.00	0.00	117,304.91	108,829.55	95,625.47
21,353.26	0.00		0.00	0.00	21,353.26	0.00	0.00	0.00	0.00
125,454.09	13,204.08		0.00	0.00	21,353.26	0.00	117,304.91	108,829.55	95,625.47
4,336,407.76	376,312.76	66,911.53	0.00	0.00	417,035.41	0.00	4,295,685.11	972,679.85	867,205.65
480,426.76	0.00		0.00	0.00	3,633.64	0.00	476,793.12	936,890.51	967,959.43
46,375.09	11,193.61		0.00	0.00	0.00	0.00	57,568.70	19,185.43	20,527.18
4,863,209.61	387,506.37	66,911.53	0.00	0.00	420,669.05	0.00	4,830,046.93	1,928,755.79	1,855,692.26
0.00	6,290,171.84	6,290,171.84	0.00	0.00	0.00	0.00	6,290,171.84	6,327,794.57	522,316.76
0.00	6,290,171.84	6,290,171.84	0.00	0.00	0.00	0.00	6,290,171.84	6,327,794.57	522,316.76
59,543,039.09	15,348,353.52	8,792,646.36	0.00	0.00	442,022.31	0.00	74,449,370.30	160,713,729.38	147,451,348.74
3,477,874.53	8,469,357.12		0.00	0.00	235,000.00	0.00	11,712,231.65	556,946,613.47	762,369,468.69
3,950,000.00	0.00		0.00	0.00	0.00	2,000,000.00	1,950,000.00	274,593,801.54	264,933,311.56
0.00	237,500.00		0.00	0.00	0.00	0.00	237,500.00	475,000.00	237,500.00
0.00	422,019.67		0.00	0.00	0.00	0.00	422,019.67	842,620.29	422,019.62
3,013,991.67	45,119.25		0.00	0.00	619,795.58	951,146.54	1,488,168.80	21,841,009.32	12,261,380.53
15,387,208.44	0.00		0.00	0.00	0.00	0.00	15,387,208.44	4,779,104.16	8,166,855.91
25,829,074.64	9,173,996.04	0.00	0.00	0.00	854,795.58	2,951,146.54	31,197,128.56	859,478,148.78	1,048,390,536.31
<b>182,845,149.74</b>	<b>40,515,792.00</b>	<b>8,792,646.36</b>	<b>0.00</b>	<b>0.00</b>	<b>1,896,368.09</b>	<b>2,951,146.54</b>	<b>218,513,427.11</b>	<b>1,059,458,618.94</b>	<b>1,219,124,064.02</b>

# NOVOMATIC AG

## Untaxed Reserves

*as of 31 December 2015*

EUR

	Balance as of 1/1/2015	Consumption	Release	Allocation	Balance as of 12/31/2015
Valuation reserve from special depreciation allowances					
Valuation reserve for inferior assets according to § 13 of the Austrian Income Tax Law	19,185.43	0.00	11,193.61	12,535.36	20,527.18
<b>TOTAL UNTAXED RESERVES</b>	<b>19,185.43</b>	<b>0.00</b>	<b>11,193.61</b>	<b>12,535.36</b>	<b>20,527.18</b>

# NOVOMATIC AG

## Provisions

*as of 31 December 2015*

EUR

PROVISIONS	Balance as of 1/1/2015	Consumption	Release	Allocation	Balance as of 12/31/2015
1. Provisions for severance payments					
Provision for severance payments	1,403,862.00	971,083.00	0.00	346,078.00	778,857.00
2. Provision for pensions					
Provision for pensions	6,665,662.00	0.00	0.00	147,985.00	6,813,647.00
3. Provisions for taxes					
Provision for corporate income tax	3,546,697.50	1,798,795.31	0.00	0.00	1,747,902.19
4. Other provisions					
Provision for auditing and consulting fees	318,900.00	294,072.57	12,527.43	367,300.00	379,600.00
Provision for unconsumed vacation	1,088,532.63	1,088,532.63	0.00	461,919.75	461,919.75
Other provisions for personnel	4,300,000.00	4,300,000.00	0.00	3,980,000.00	3,980,000.00
Provision for jubilee payments	164,788.00	114,547.00	4,276.00	3,588.00	49,553.00
Other provisions	283,540.00	243,540.00	0.00	188,055.61	228,055.61
	6,155,760.63	6,040,692.20	16,803.43	5,000,863.36	5,099,128.36
<b>TOTAL PROVISIONS</b>	<b>17,771,982.13</b>	<b>8,810,570.51</b>	<b>16,803.43</b>	<b>5,494,926.36</b>	<b>14,439,534.55</b>

# NOVOMATIC AG

# Auditor's Report

## *Report on the Financial Statements*

We have audited the accompanying financial statements, including the accounting system, of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from January 1, 2015, to December 31, 2015. These financial statements comprise the balance sheet as of December 31, 2015, the profit and loss account for the fiscal year ended December 31, 2015, and the notes.

### **Management's Responsibility for the Financial Statements and the Accounting System**

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility and Description of Type and Scope of the Statutory Audit**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of NOVOMATIC AG as of December 31, 2015, and of its financial performance for the fiscal year from January 1, 2015, to December 31, 2015, in accordance with Austrian Generally Accepted Accounting Principles.

## Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

Vienna, April 19, 2016

Deloitte Audit Wirtschaftsprüfungs GmbH

**Dr. Christoph Waldeck**  
Certified Public Accountant

**ppa. Barbara Müllner**  
Certified Public Accountant

The financial statements and our auditor's report may be published or transmitted together only if the financial statements and the management report are identical to the confirmed version. This auditor's report refers exclusively to the complete financial statements in German, including the management report. Section 281 para 2 of the Austrian Commercial Code applies to versions that differ.

# NOVOMATIC AG

## Report of the Supervisory Board

*for the fiscal year 2015*



In its six meetings held during the course of financial year 2015, the Supervisory Board was regularly informed by the Executive Board on the business policy and dealt thoroughly with business developments and the position of the company. In addition, the Audit Committee heard reports from the Executive Board and the auditor during the two meetings.

The annual financial statements of 31 December 2015 and the Management Report of the Executive Board, to the extent that it explains the annual financial statements, have been examined with regard to accounting by Deloitte Audit Wirtschaftsprüfungs GmbH, which was appointed as auditor by the Annual General Meeting and has been charged with providing an unqualified audit opinion.

The examination of the annual financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Executive Board regarding the use of the net profits from 2015.

The annual financial statements drawn up by the Executive Board were approved by the Supervisory Board and hence adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Corporation Act).

The Supervisory Board acknowledges and thanks the Executive Board and all employees of NOVOMATIC AG's companies for their work during the financial year of 2015.

Gumpoldskirchen, April 2016  
The Supervisory Board

A handwritten signature in blue ink, which appears to be "Herbert Lugmayr".

**Senator Herbert Lugmayr**  
Chairman







# Imprint

We have prepared this report with the utmost care and have checked the data therein. Nevertheless, errors arising from rounding, typesetting or printing cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This report includes forward-looking statements based on information currently available to us. These forward-looking statements are usually identified by expressions such as “expect”, “estimate”, “plan”, “calculate”, etc. Please note that various factors could cause actual circumstances – and therefore also actual results – to deviate from the expectations outlined in this report. Statements referring to people apply to both men and women.

This annual report is available in German. In the event of disputes, the German version shall take precedence.

## **Owner, editor and publisher**

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