

# NOVOMATIC AG

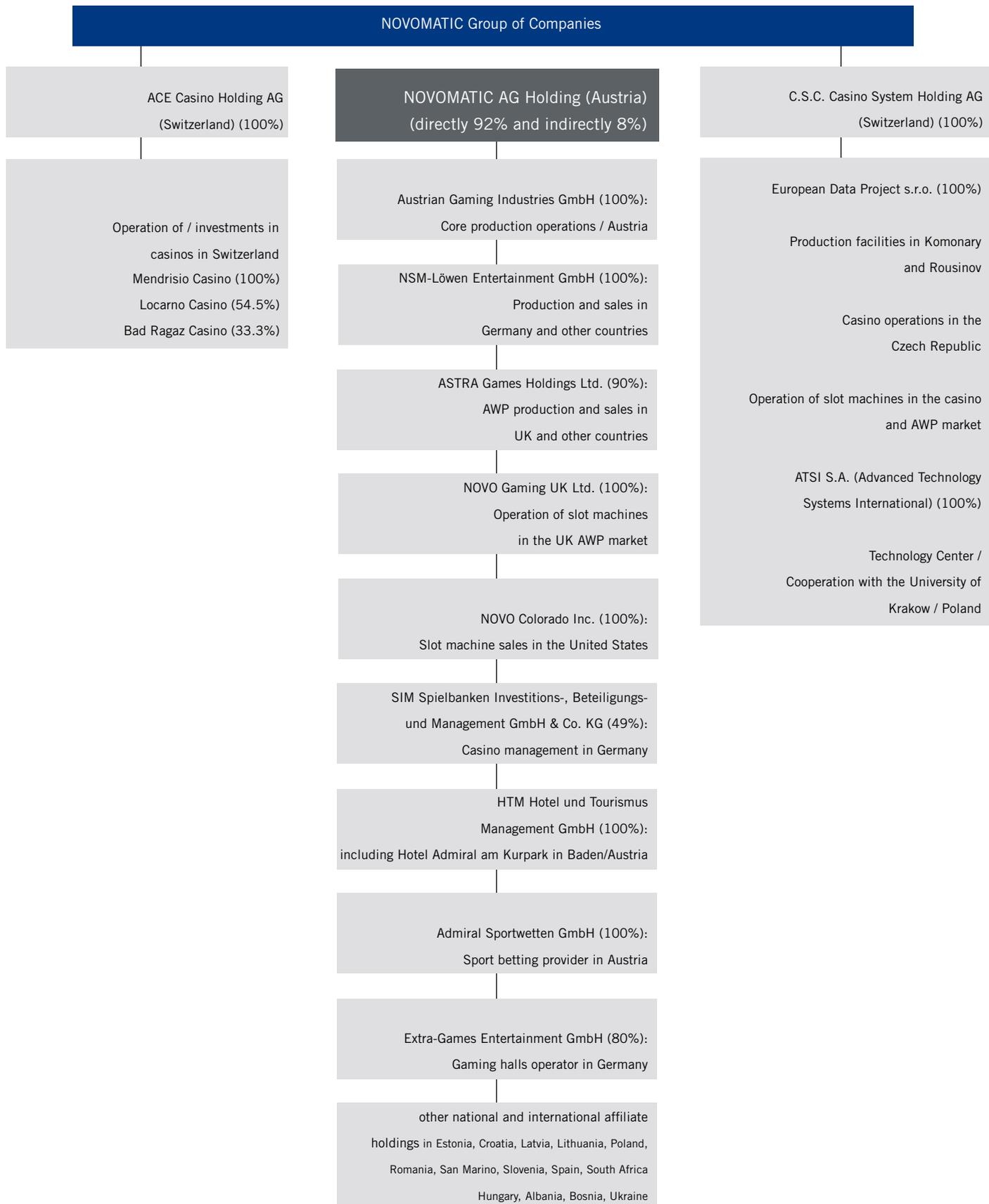


**NOVOMATIC AG**

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# Organization Chart of the NOVOMATIC Group of Companies



# Key Figures and Ratios of NOVOMATIC AG (Group)



## Key Figures and Ratios of NOVOMATIC AG (Group)

<b>Consolidated Income Statement (EUR million)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Sales	750.6	645.5	470.8
EBITDA	195.9	167.9	91.0
Return on sales (EBITDA/sales) in %	26.1	26.0	19.3
Earnings before interest and taxes (EBIT)	152.4	141.6	69.4
EBIT margin in %	20.3	21.9	14.8
Results from ordinary activities (EBT)	149.6	139.2	67.8
Net income for the year	119.7	106.6	38.2
Operating cash flow	142.6	98.7	69.1

<b>Consolidated Balance Sheet (EUR million)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Fixed assets	279.0	162.2	105.9
Other long-term assets	3.5	2.7	3.3
Current assets	315.0	330.6	156.8
Debt	327.3	308.9	148.9
Equity	270.2	186.6	117.1
Equity ratio, %	45.2	37.7	44.0
Investments (intangible assets and property, plant and equipment)	162.5	76.0	65.1
Investments (intangible assets and property, plant and equipment) as % of sales revenue	21.6	11.8	13.8
Average number of employees during the year	4,370	3,497	2,737

## Foreword



**Ladies and Gentlemen,**

in the fiscal year of 2006 NOVOMATIC AG continued along its consistent path towards success. While the discussion concerning the overall European playing field for the international gaming industry in connection with the services directive of the European Union has further intensified, the NOVOMATIC Group of Companies, as one of the largest integrated gaming corporations in the world, is following its clear strategy: As a leading high-tech developer of gaming equipment in Europe, products and gaming establishments are offered only in regulated markets with a clear legal and regulatory operating environment.

We at NOVOMATIC were convinced well prior to the ongoing public-opinion forming process of new Europe that within an enlarged EU of now 27 members, there is a need for precise and consensus-based rules for future economic growth. In the medium term the gaming industry will not be excluded from this process. Only then will it be possible to achieve and safeguard our common goals such as sustainable growth, full employment and social peace over the long term.

As a group of companies operating globally, NOVOMATIC AG, with headquarters in Lower Austria, today the uncontested world market leader in the field of interactive live games and multiplayer systems, operates casinos and electronic casinos with great success, and its innovation is a showcase of how an Austrian company can stand its ground and achieve sustainable success in the world market. With nearly 8,000 employees across the globe, the NOVOMATIC Group is committed to Austria as a location: the Group has its fiscal domicile in Austria, although the home market represents less than 10 percent of total sales. However, in the future it will be a decisive challenge for economic policy to constantly review and improve the operating conditions for successful companies.

The decisive factor for our success is a commitment to innovation, creativity, quality and ongoing further development. In such a dynamically growing and rapidly changing market as the international gaming industry there are bound to be exciting challenges and opportunities in the years to come. The future belongs to server-based games and downloadable table games, where we will be one of the market leaders. I am convinced that we will continue to experience successful growth, not least because of NOVOMATIC Group's most precious capital of all: the men and women working for our company, who every day invest all their knowledge and ability into making this goal a reality.

Gumpoldskirchen, Austria, in July 2007

A handwritten signature in blue ink, appearing to read 'J. Graf', is positioned to the left of the name and title.

**Professor Johann F. Graf**

Founder and Main Shareholder

## Foreword from the Board of Directors



**Dr. Franz Wohlfahrt**

**Dear customers and business friends,**

in its 26th year of existence, the NOVOMATIC Group has once again managed to significantly surpass what was already a favorable result in the previous anniversary year. As a global player in the gaming industry, the NOVOMATIC Group of Companies – led by the Group holding company, NOVOMATIC AG, with headquarters in the Lower Austrian town of Gumpoldskirchen, as well as ACE Casino Holding AG and C.S.C. Casino Systems Holding AG – has continued its dynamic growth of the past few years. Consolidated Group revenues, including the stake in the Berlin Casino, grew to 1.3 billion euros. It is also positive to note that the Group was able to further consolidate its position as Austria's most profitable gaming company by far.

Technology leadership in gaming machines has once again proven to be one of the mainstays. It is as much a cornerstone as the successful concept of international networking of our competence centers in the area of research and development with headquarters in Austria, the successful expansion strategy into markets such as Central and Eastern Europe, or a series of important acquisitions. The second important mainstay comprises the some 550 casino operations and electronic casinos that have established themselves as highly successful, state-of-the-art entertainment centers.

In the previous year the NOVOMATIC brand as an innovative industrial group garnered a leading position among Austria's brands with an increase in the brand value of 59.1 percent – its good reputation, inextricably linked to the values of success, innovation, partnership and social responsibility, today represents a brand value of some 1.1 billion euros.



**DI Ryszard Presch**



**Mag. Peter Stein**

For the second time in succession, NOVOMATIC has been awarded the distinction of Austria's Leading Company in the area of "Big Players": the award was sponsored by PricewaterhouseCoopers, the Austrian Association for the Protection of Creditors 1870 and the "WirtschaftsBlatt", one of Austria's leading business publications.

According to the Austrian daily "Österreich", NOVOMATIC has now advanced to Austria's top ten employers – for which we first of all have to thank our employees. With their distinctive intercultural methodology within the Group, they make a decisive contribution to our worldwide success.

We at NOVOMATIC know that running a successful and sustainable business is only possible in a society with social values and solidarity, and we are committed to our social responsibility. This above all applies to our activities concerning responsible gaming, which we want to intensify in the future, utilizing one of the most modern competence networks for the prevention of gaming addiction in all of Europe.

Gumpoldskirchen, Austria, in July 2007

**Dr. Franz Wohlfahrt**  
Chairman of the  
Board of Directors

**DI Ryszard Presch**  
Deputy Chairman of the  
Board of Directors

**Mag. Peter Stein**  
Member of the  
Board of Directors



The World of  
NOVOMATIC



## The World of NOVOMATIC

- The NOVOMATIC Group is a globally operating group of companies and one of the largest integrated gaming companies in the world. The core of the NOVOMATIC Group is the Austrian based NOVOMATIC AG with the headquarters located in Gumpoldskirchen, Lower Austria.
- As a producer, the NOVOMATIC Group with its various business units covers the entire spectrum of the gaming market – it develops, produces, and markets high-tech gaming equipment and innovative systems solutions. In its role as operator, NOVOMATIC also runs its own series of some 550 electronic casinos, casino operations and sports betting companies worldwide. The NOVOMATIC subsidiary, Austrian Gaming Industries GmbH (AGI) is world market leader in the area of interactive live games and multi-player installations and for many years has been a technology leader in the production of leading-edge gaming machines. The basis for the worldwide success of NOVOMATIC products is an R&D quota well above the industry average, as evidenced by an impressive array of more than 750 intellectual property rights such as trademarks, patents and designs.
- This innovation edge is accomplished in internationally networked competence centers in England, Germany, the Czech Republic and Poland, which are all connected to NOVOMATIC AG headquarters in Austria, where the Group's R&D activities are based. These highly competitive competence centers have allowed the Group for many years to continuously launch innovative products that do justice to the slogan "NOVOMATIC leads, others follow". These products are marketed by subsidiaries in 19 countries and exported to more than 60 countries around the world.
- The success formula as Europe's leading gaming group is primarily based on the knowledge and creativity of its employees as well as the drive of the company's founder, entrepreneur Professor Johann F. Graf: whether innovative technical solutions, new approaches to development and design of games, or superb market knowledge – since 1980, the year when the company was founded, the NOVOMATIC range of products has convinced customers from all over the world, as well as visitors to casino operations and electronic casinos operated by the Group.



- The business segments in which the Group has been active worldwide have experienced exceptionally strong growth over the past few years: revenue growth has been clearly above overall growth rates in casino operations, electronic casinos and sports betting alike. As a producer, NOVOMATIC has also benefited from the undiminished trend shift from live gaming towards electronic gaming. Growth rates above the worldwide gaming market average were experienced above all in casinos with electronic gaming machines, video lottery terminals, fixed odds betting terminals as well as Internet gaming.
- NOVOMATIC as a highly innovative industrial company has been following this trend and offering its customers from around the world one of the widest product ranges in the entire industry: including traditional and video slot machines, video poker machines, amusement with prize (AWP) machines or limited payout machines (LPM) and interactive live games, right down to multiplayer systems, video lottery terminals (VLTs), downloadable games and betting terminals. Network and online systems for casinos and sports betting operators, state-of-the-art ticket technology, as well as cashless solutions complete the product range.
- This technical development is driven not least by the Group's dual role in the market as a producer and operator of highly-innovative gaming equipment and state-of-the-art game design on the one hand and as an operator of casino operations, electronic casinos and sports betting outlets on the other hand: This two-pronged business strategy has proven to be a key advantage over competitors and allows rapid reactions to the ever-changing market needs.
- Thus experiences and observations based on the Group's own operative activities directly flow into the Group's own research and development work and provide invaluable input into innovative developments and new product trends – for example, all new product developments must successfully undergo field testing in the Group's own gaming facilities before they can be officially approved for sale.
- NOVOMATIC research activities of today are already incorporating the trends of tomorrow: In an industry characterized by exceptional growth and momentum as the gaming and entertainment industry, not only the need for attractive new games, but also networking is going to play an ever-important role: the wave of the future includes online settlement systems, information systems as well as networked video lottery and video network terminals – this first of all serves the function of even better player security and thus provides even greater protection against any type of manipulation.



- The key to success for NOVOMATIC, a company licensed to operate in diverse jurisdictions with strict controls and requirements, is, and will always be, the principle of selling its products and operating its facilities only in regulated markets with a clear legal and regulatory environment. Thus NOVOMATIC has repeatedly consciously foregone activities in attractive growth markets, such as gaming and sports betting on the Internet, as long as the necessary legal operating environment has not been put in place. This is a conscious, voluntary self-restriction in order not to jeopardize existing licenses around the world.
- The fact is that the Group's future growth prospects will benefit from gaming legislation reforms currently underway in the European Union. Therefore, NOVOMATIC is calling for and supporting rapid harmonization of European gaming laws. This does not mean a complete liberalization of the existing monopolistic structures, but it does indeed mean a strictly regulated de-monopolization of gaming, which would also include strict regulatory objectives such as player protection and consumer protection.
- Thus NOVOMATIC AG is also setting new standards in the area of responsible gaming, prevention of gaming addiction, as well as stringent adherence to protection of minors in all of the Group's gaming facilities and in this respect has implemented a new and even more comprehensive network that is among the most modern in Europe: based on many years of cooperation with research institutions such as the Interdisciplinary Addiction Research Group (ISFB) in Berlin, the Charité university hospital in Berlin, a new and countrywide telephone helpline in Austria (in cooperation with the Department of Addiction Research and Addiction Therapy at the Medical University of Vienna) as well as regional charitable self-help groups (such as Gamblers Anonymous in Vienna, Lower Austria and Salzburg) the best possible support of measures aimed at curbing the dangers of problematic gaming behavior is to be ensured.
- As part of its social responsibility, NOVOMATIC is committed to the principle that running a successful and sustainable business is only possible in a society with social values and solidarity. The Group's founder, Professor Johann F. Graf, was already committed to the principles of fairness, partnership and social responsibility as a corporate philosophy long before the buzzword Corporate Social Responsibility emerged as an economic reality. In 2006 NOVOMATIC launched a wide array of activities in order to make a contribution to the financing of social, cultural, scientific and sports projects.

# The Strategy

NOVOMATIC  
GROUP OF COMPANIES





## The Strategy

- NOVOMATIC AG is a globally operating, integrated gaming company, whose orientation as a producer of gaming equipment and an operator of gaming facilities is based on continuous, steady growth. The Group sells its products and operates its facilities only in regulated markets with a clear legal and regulatory operating environment.
- The Group plans to consistently pursue its pioneering strategy in the years to come: its core markets, in addition to the member countries of the European Union, include the markets of Central, Eastern, and Southeast Europe, where thanks to very early market entry, NOVOMATIC has already established a superb market position, as well as future markets with exceptional growth potential – e.g. Asia and Latin America.
- A core element of the Group is its position as a trendsetter in research and development of state-of-the-art gaming equipment with a high level of innovation. In the years to come, the Group intends to further expand its competitive advantage based on the dual role as producer and operator, as well as the Group's internationally networked competence centers in the area of research and development. NOVOMATIC has already recognized the technology trends of the future, such as networked systems and server-based gaming.
- In addition to creative gaming ideas and technological innovations in the area of operations, the future emphasis will also be placed on responsible gaming. In the area of responsible gaming, NOVOMATIC has already developed one of Europe's most ambitious concepts concerning the prevention of gaming addiction, which is continuously improved by comprehensive information, a national telephone helpline in Austria, as well as a tight-knit competence network of volunteer self-help groups.
- NOVOMATIC seeks to further develop the Group through continuous and organic growth: the growth strategy in non-saturated markets in the coming years is based on organic growth. Acquisitions are also conceivable, however. Acquisitions represent a more likely strategy for new growth in mature markets. In addition, on an international level the company seeks to build strategic alliances.
- NOVOMATIC also aims to enter new business segments – for example, by offering cross-border gaming services based on legal harmonization among member states of the European Union or by cooperating with state lottery and betting providers. The development of gaming content for iTV platforms is also an attractive business segment, along with strategic alliances in the area of digital television with partners from the field of telecom and TV.



# Gaming Machines



## Gaming Machines

- NOVOMATIC AG is a corporation with worldwide activities in the gaming industry and Europe's leading producer of high-tech gaming equipment. NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) is world market leader in the area of interactive live games and multi-player installations and has been technology leader for years in the production of state-of-the-art gaming machines. All NOVOMATIC innovations are tested in the Group's own casino operations and electronic casinos before they are offered to customers. This does not only guarantee technologically mature products but also gaming equipment which has already proven to be accepted by casino operators and visitors alike.
- In the area of multiplayer systems, NOVOMATIC is a pioneer and uncontested world market leader. With NOVO TouchBet® Live Roulette and NOVO Multi-Roulette™, the company recognized the trend shift from classical table games towards slot machines and, as the first manufacturer worldwide, implemented this concept for roulette gaming.
- Very early on, NOVOMATIC also recognized the benefits of its own server-based multiplayer platforms and implemented the future-oriented NOVO Unity™ system: in addition to being very user-friendly, it offers a great number of further benefits to operators and players alike. The NOVO Wheel info display furthermore offers guests all gaming statistics at a glance on one screen. The newest members of the NOVOMATIC multi-player series are the NOVO Baccarat Royal™, the NOVO TouchBet® Baccarat Royal™ and the NOVO TouchBet® SicBo, which are expected to sell particularly well in the Asian market.
- In the area of video games and slot machines, AGI's revolutionary Coolfire® II technology marks the commencement of a new age in gaming design and technical features in cabinets. It offers not only new high-performance processors and superior sound quality but also user-friendliness on up to three high-resolution touch screens.
- The new cabinet for the Coolfire® II gaming platform also sets new standards: Duo-Vision™ combines the advantages of streamlined dimensions with maximum comfort with two large-sized TFT screens in panorama format. The hybrid technology of the Super Gaminator® in turn combines this new standard with traditional slot machines. Both machines offer completely new options for game design and shortly after their release proved particularly captivating to guests, who can now experience new and extraordinary dimensions of gaming entertainment.

A close-up photograph of a Novomatic multi-screen technology device. The device features a dark panel with the brand name 'NOVOMATIC' in large, white, serif capital letters. Below the brand name, the text 'MULTI SCREEN TECHNOLOGY' is printed in smaller, white, sans-serif capital letters. The panel is flanked by horizontal white lines. Below the panel, a glowing screen is visible, showing a blurred image of a person's face. The overall image is in grayscale, with the glowing screen providing a point of contrast.

**NOVOMATIC**  
MULTI SCREEN TECHNOLOGY

Research & Development



## Research & Development

- NOVOMATIC AG's success is based on its role as an international trendsetter and innovator in the gaming industry and draws upon 26 years of experience with international gaming, as well as detailed knowledge of gaming preferences and wishes. This has allowed the Group to advance to the position of Europe's leading provider of gaming equipment. For years, NOVOMATIC AG has invested continuously in research and development at levels far above the industry average.
- The corporate objective in the coming years will be to safeguard and further build on the advantage in the areas of design, development, production and sales of highly innovative gaming equipment which has been achieved by the Group's internationally operating and networked competence centers in England, Germany, the Czech Republic, Poland and in the headquarters in Austria. This also applies to the more than 750 intellectual property rights such as trademarks, patents and designs. The Group's innovative technologies have thus far been developed almost exclusively within the corporation. This applies to game mathematics, computer systems, hardware and software engineering as well as design and ergonomics. The combination of creativity in game design and technological advancement has allowed NOVOMATIC to set the trends in the international gaming industry for years.
- In addition to attractive new games and new multi-player generations with card and dice games (such as Baccarat, Blackjack or Sicbo), one of the themes of rapidly increasing significance in future years is networking. Online settlement systems, information systems as well as networked video lottery and video network terminals will increase in importance, along with leading-edge ticket technology. Through central servers, the product mix can in the future be optimized in real time – for instance, the types of games offered can be adapted to the demands of the players. Networking primarily serves the function of player security and protection against any type of manipulation.
- Server-based gaming is also developing into a trend. Finally, it is important to note that for the first time there is a common PC-based standard for networking systems of machines by different manufacturers. NOVOMATIC subsidiary AGI is already a Gold Member of the "Gaming Standards Association".



Production



## Production

- NOVOMATIC AG traditionally puts a great emphasis on quality of workmanship in the manufacturing process for its innovative gaming equipment. In addition to technologically mature research and development in the pre-production phase, the company upholds this standard through highly qualified workers throughout all production steps and a high degree of vertical integration.
- Products bearing the NOVOMATIC brand distinguish themselves through a level of vertical integration of 90%, which is far above the industry average. This means that nearly all the components for NOVOMATIC gaming machines are manufactured within the Group and thus subject to continuous and strict quality control.
- The high level of vertical integration also guarantees NOVOMATIC customers maximum flexibility: During production – also of small series made to specification – the Group can accommodate individual customer needs very flexibly or react to a changing operating environment at any time.
- Near the Hungarian city of Sopron, the new wire harness factory in Veszékény went into full operation in the summer of 2006. AGI's subsidiary AGI Hungaria Kft. produces wire harnesses for the entire NOVOMATIC Group and invested a total of three million Euros on a 15,000 square meter site. The factory, which produces according to the latest technological standards, employs 150 workers and is always operating at full capacity, not least owing to the numerous orders from outside the corporate group.
- Another success story was the start-up of AGI subsidiary NSM-Löwen Entertainment GmbH in Bingen am Rhein. The demand for the new NOVO Line™ generation of machines, unveiled in the autumn of 2006 and very successfully launched in the market, surpassed all expectations, and NSM-Löwen Entertainment GmbH is operating at full production capacity to fulfill the demand.
- In addition, the British company Astra Games Ltd., a member of the NOVOMATIC Group since 2004, with headquarters in Bridgend, is investing in a new factory as part of its long-term strategic plan. A state-of-the-art facility occupying a total area of more than 11,000 square meters is being built on a 2.8 hectare property in Cardiff, just less than a kilometer away from the current site. The new factory offers ample expansion opportunities for development, production, administration and sales. The facility is expected to be completed by mid-2007. The new location will also offer larger production and warehousing capacity, as well as room for additional expansion.

# Sales



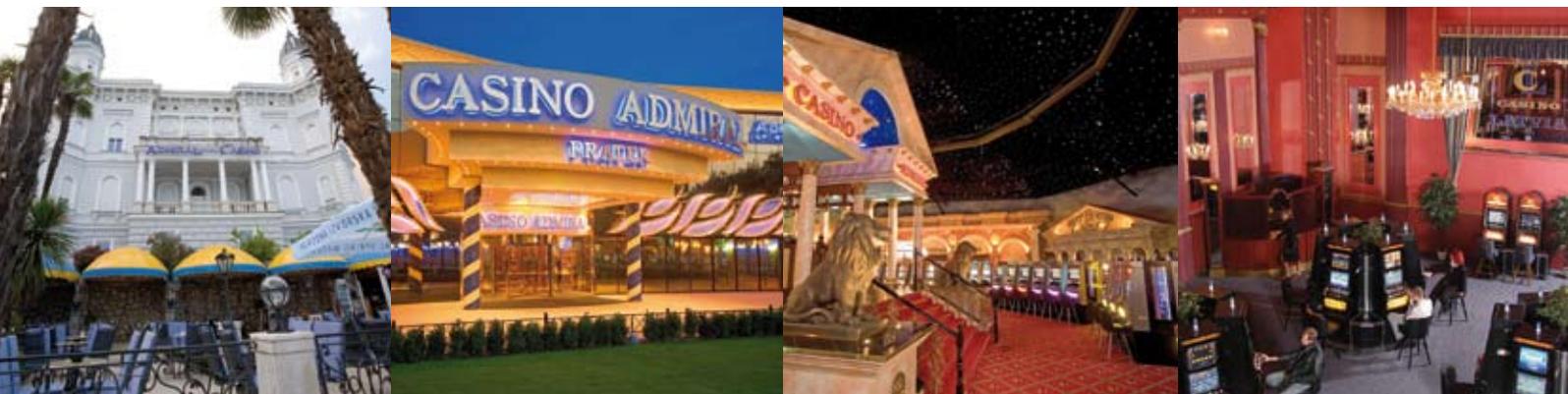


## Sales

- A strong customer orientation in marketing and sales across the entire range of products is an integral key to NOVOMATIC's success. The sales system is based on three proven cornerstones: the direct activities of NOVOMATIC's own production companies, the Group's own international subsidiaries, and finally specially-appointed regional distribution partners.
- Also in the area of marketing and sales, NOVOMATIC, a company licensed to operate in diverse jurisdictions with strict controls and requirements, has uncompromising standards: it upholds the principle of selling its products only in regulated markets with a clear legal and regulatory environment.
- Marketing and sales within the NOVOMATIC Group comprises sales of the Group's entire product range which is exported to 60 countries worldwide.
- Austrian Gaming Industries GmbH (AGI), the production flagship of the Group, further stepped up its sales activities in 2006 not least through its presence at recent international trade fairs. In addition to the "International Casino Exhibition (ICE) 06" in London, which has become firmly established for the Group as the most important trade fair of the year, AGI made a strong showing in June at the "World of Games" in Moscow. On the second day of the exhibition, AGI officially launched its campaign against Russian product piracy: in a graphic demonstration, counterfeit copies of AGI products were run over by steamrollers without further ado in the visitor parking lot in front of the exhibition grounds in Moscow.
- Following a resounding success at "G2E 2006" in November in Las Vegas, AGI for the first time also presented its wide product portfolio at the "Chile Casinos" exhibition in Santiago de Chile, an up-and-coming trade fair that was staged for the second time. Participation in this fair corresponds to the development of long-term marketing and sales activities in the growing markets of Latin America, where NOVOMATIC sees superb development potential. According to this strategy, all the necessary preparations were made in 2006 to establish a new office in the Chilean capital: from Santiago de Chile, future marketing and sales activities will be spearheaded for all of the bordering countries in South America.
- Expansion of the NOVOMATIC Group in Spanish-speaking markets also continued in Spain, where an office was opened in Barcelona in response to comprehensive market research and numerous inquiries on the part of Spanish casino operators. Following market entry, a headquarters office is being planned for the capital Madrid to develop the Spanish market.

# Casino Operations, Electronic Casinos and Sports Betting





## Casino Operations, Electronic Casinos and Sports Betting

- Today the NOVOMATIC Group operates over 550 electronic casinos and casino operations throughout the world. The flagships of the NOVOMATIC Group, in addition to the largest casinos in Switzerland (in Mendrisio) and Germany (in Berlin), include Europe's largest sports betting casino, the Casino Admiral in Vienna's Prater, as well as Admiral Sportwetten GmbH, Austria's sports betting company offering the most locations, with 164 outlets and a market share of some 50 percent.
- In 2006 NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) not only managed to defend its position as the manufacturing flagship of the Group, it also further expanded its standing as a leading operator of electronic casinos and casino operations in the markets of Eastern and Southeastern Europe.
- AGI subsidiary Alfor SIA, for example, was able to further build on its successes in Latvia: In the reporting period, Alfor operated a total of 4,000 gaming machines in 120 electronic casinos and already employs more than 900 people. The market entry into Estonia (140 employees) and Lithuania (25 employees) has also developed favorably and there are plans to press ahead. In the Ukraine, the development of the market has been further spearheaded through a 100% subsidiary of AGI.
- In Hungary the AGI subsidiary, AGI American Games Kft., is running seven electronic casinos (one more than in the previous year).
- In Croatia expansion continued swiftly in the year 2006. By the end of the year, the number of casinos grew to a total of 26 (2005: four). The opening of the Admiral Opatija casino in the Croatian coastal town of the same name, established in the Vila Madona and launched at the beginning of October, represented a milestone towards offering high-tech gaming equipment and live gaming in special surroundings.
- Expansion was intensified in Southeast Europe. In Romania the company's already successful market development efforts were further strengthened. In Bosnia and Albania 100% subsidiaries of AGI were established during the reporting period. The results of the 2005 acquisition, Extra-Games Entertainment GmbH in Pfullendorf, in the German state of Baden-Württemberg, were also very favorable. The number of electronic casinos was increased from 25 to 50, with numerous existing locations having been expanded or modernized.



- In Austria, Europe's largest sports betting casino, Casino Admiral in Vienna's Prater, established itself as the successful flagship of the Group within less than two years after its opening. The casino was designed in the style of Egyptian pharaohs by Guillermo Gomez Moron, a casino architect who also works in Las Vegas, and offers a wide range of gaming and entertainment as well as fine cuisine in an area covering 2,700 square meters. The facility is also a very popular venue for regularly celebrated customer parties featuring attractive sweepstakes drawings. In addition to cash prizes the drawings regularly include cars.
- Other positive highlights include the development of other gaming facilities within the Group – e.g. the largest casino in the Czech Republic, the Admiral Colosseum Casino – as well as casino activities of the NOVOMATIC Group in Germany, where a total of four casinos are operated in cooperation with the German Sports Aid Foundation. NOVOMATIC main shareholder, Professor Johann F. Graf, is also the largest single shareholder of the Berlin Casino, the leading casino in Germany.
- Admiral Sportwetten GmbH expanded its position as Austria's sports betting provider with the most locations, with 164 outlets (14 more than in 2005), achieved a market share of some 50 percent and increased its betting revenues by 25 percent compared to 2005.
- The main operative focus of Admiral Sports Betting in 2006 was the major sporting event, the World Soccer Championship. Additional highlights included the completion of Internet software and live betting software, which vastly expanded the range of attractive betting offers.
- In the area of company law, the company withdrew from the Vienna Stock Exchange: The General Shareholders' Meeting of 27 July 2006 successfully concluded the delisting proceedings concerning the transfer of public shares of the Admiral Sportwetten AG (Admiral Sports Betting Inc.) pursuant to the Shareholder Exclusion Act. Finally, in September, public shareholders received a cash settlement, whereby Admiral Sportwetten GmbH is now a 100-percent subsidiary within the NOVOMATIC Group.



- Admiral Sportwetten GmbH will continue its selective expansion strategy. The focus lay on further raising the quality of the company's range of services as well as pursuing selective expansion in smaller units according to stringent quality criteria. In 2007 all steps will be implemented to gain maximum benefit from a major sporting event, the 2008 European Soccer Championship. At the end of 2006 Admiral also participated in a public tender for a license in Italy and has since successfully completed the procedure in Trento.
- NOVOMATIC subsidiary Hotel und Tourismus Management GmbH (HTM) also performed favorably. In the reporting period the company had over 80 outlets in Vienna, 32 of which also offered food services. 18 outlets are operated as Admiral Sports Betting locations without food services. In all locations, gaming machines are offered within the scope of Austrian gaming regulations.
- Through the introduction of state-regulated gaming in Lower Austria, the year 2006 developed into a year of expansion for HTM in Lower Austria as it implemented the Admiral Entertainment concept in a total of 12 locations. In Lower Austria, HTM also operates Admiral Sports Betting shops in Ternitz and at the Magna Racino racetrack in Ebreichsdorf. Finally, in cooperation with Cashpoint, a new outlet was launched in Krems.
- HTM also operates a very successful 4-star hotel, "Admiral am Kurpark", in the town of Baden near Vienna.
- Wett Café Betriebsgesellschaft m.b.H. as a 100-percent subsidiary of HTM owns 38 outlets in Styria, where gaming machines are operated and Admiral Sports Betting is offered within the scope of Austrian gaming regulations. In the reporting period, Wett Café Betriebsgesellschaft m.b.H. also managed to emulate the successes of its parent company.

Employees





## Employees

- NOVOMATIC AG had on average 4,370 employees in 2006 (2005: 3,497), of whom 689 (2005: 505) were employed in Austrian Gaming Industries GmbH in Gumpoldskirchen. The NOVOMATIC Group headquarters is thus one of the largest employers and taxpayers in the region.
- Owing to its international orientation, the company offers secure long-term employment in a modern, attractive and intercultural working environment with very flexible opportunities for advancement within the ranks of the Group and thus consciously promotes social integration as part of everyday company routine.  
According to the daily newspaper “Österreich“, NOVOMATIC is ranked among the Top Ten of the best employers in Austria.
- In the international working world, “Gender Mainstreaming” has become a key issue. The principle of equal opportunity for men and women was adopted in 1994 as an “overriding” developmental objective in the European Structural Fund Council Regulation. Thus next to the EU Eastern expansion, NOVOMATIC virtually anticipated another of the EU’s objectives and set a positive example, as equal opportunity for women has been put into practice for the longest time: the percentage of women in the Group’s main holding company, for example, is 27 percent, 34 percent in the production subsidiary Austrian Gaming Industries GmbH, and 29.8 percent at NSM-Löwen Entertainment GmbH in Bingen am Rhein. It is particularly important to note that the percentage of women at ATSI’s R&D Competence Center in the Polish city of Krakow is 18 percent. There is also a high percentage of women working in the casino and betting companies within the NOVOMATIC Group, indeed on all levels in the casino operations, electronic casinos and betting shops. Only when there is equal opportunity for everyone do men and women stay with a company over the long term.
- NOVOMATIC AG takes a multifaceted range of human resource measures and offers its employees attractive working conditions and opportunities for career development and enhancement tailored to the needs of the individual and the target group: each year as part of an employee discussion, the company evaluates the needs of each worker in terms of advanced training and further education and comes up with an individual program adapted to each individual worker, which may include internal and external advanced training.
- By offering flexible working hours, part-time contracts, facilitated re-entry following parental leave by means of special support programs, as well as the opportunity for part-time contracts due to age or childcare, NOVOMATIC distinguishes itself through its family-friendly company practices and supports its employees towards balancing work and family.



# CERTIFICATE OF REGISTRATION

This is to certify that the records of the Patent and Trademark Office show that an application was filed in said Office for registration of the Mark shown herein, a copy of said mark and pertinent data from the Application being annexed hereto and made a part hereof,

And there having been due compliance with the requirements of the law and with the regulations prescribed by the Commissioner of Patents and Trademarks,

# The Regulatory Environment

Upon examination it appeared that the applicant was entitled to have said Mark registered under the Trademark Act of 1946, as amended, and the said Mark has been duly registered this day in the Patent and Trademark Office on the

PRINCIPAL REGISTER

to the registrant named herein.

This registration shall remain in force for TEN years unless sooner terminated as provided by law.

In Testimony Whereof I have hereunto my hand and caused the seal of the Patent and Trademark Office to be affixed this fourteenth day of June 1994.

*Bence Lehr*

Commissioner of Patents and Trademarks





## The Regulatory Environment

- NOVOMATIC AG strictly adheres to the principle of offering products and operating gaming establishments only in regulated markets with a clear legal and regulatory operating environment. Thus the entire Group strives to base all business decisions on the greatest possible legal certainty.  
As the worldwide gaming industry will continue to be one of the fastest-growing segments in the modern entertainment and leisure industry, NOVOMATIC is an advocate of social responsibility and strict legal regulations on the national and international level.
- Gaming is still the only market segment within the European internal market for which there are no common regulations – as gaming will continue to be excluded from the service regulations of the European Union. Guided by various findings of the European Court of Justice of the last few years, NOVOMATIC calls for and promotes rapid harmonization of European gaming laws.
- The objective must be a carefully controlled opening of markets with a limited number of providers, who will be able to obtain concessions for gaming services in transparent tender procedures and in the process will be required to uphold the highest security standards.
- National laws should therefore be adapted to the new circumstances as quickly as possible. This means that there will have to be minimum harmonization at EU level through European gaming regulations, in order to avert through controlled deregulation that billions in gaming revenues flow outside of the EU, especially via the Internet.  
These European gaming regulations must guarantee high regulatory standards, above all in the area of consumer protection.
- NOVOMATIC anticipates that the reform process in the European Union will take another three to five years and perceives the aspired limited market opening as an opportunity for further expansion: the Group is already fulfilling all the high standards that will be required of a future regulated concessionaire. As a favorable side-effect, illegal gaming, as is currently rampant in the area of gaming machines in various Austrian states due to the lack of national regulations, could be contained through uniform regulations.
- NOVOMATIC is convinced that this controlled market opening – flanked by a necessary information campaign concerning the creditworthiness and reputation of the providers and their services – will lead to extra tax revenues in the EU.

# Social Responsibility





## Social Responsibility

Running a successful and sustainable business is only possible in a society with social values and solidarity. Business success and social responsibility do not stand in contradiction to one another, rather they are of benefit to all those involved.

As early as 15 years ago, NOVOMATIC Group's founder, Professor Johann F. Graf, was already committed to fairness, partnership and social responsibility as indispensable principles of corporate philosophy. He thus pioneered these values long before these high ethical principles became part of the economic reality as Corporate Social Responsibility (CSR). NOVOMATIC is unequivocally committed to upholding its social responsibility and perceives this commitment as making responsible business decisions that voluntarily exceed what is required by law from an economic, social and ecological standpoint.

### ■ RESPONSIBLE GAMING

The term "Responsible Gaming" comprises the sum of all measures taken by a responsible gaming provider to proactively mitigate the immanent risks involved in gaming.

Cognizant of the sensitive nature of gaming and the large responsibility that results from it, NOVOMATIC as a provider and producer of gaming proactively implements a wide range of measures on a voluntary basis towards gaming participants and the society at large, in order to uphold this commitment as effectively as possible: to ensure the greatest possible protection for players and, above all, for minors, in order to mitigate the risks of problematic gaming behavior.

The NOVOMATIC competence network for the prevention of gaming addiction is based on three pillars.



■ Pillar 1: Comprehensive information and education

On a research level, NOVOMATIC since 2001 has been working closely with the Interdisciplinary Addiction Research Group (ISFB) in Berlin, and the Charité university hospital in Berlin, which are specialized in the study of mechanisms of non-substance addictions. The training program for employees who come into contact with customers, developed by ISFB under the auspices of university instructor Dr. Sabine Grüsser-Sinopoli, set new standards in game protection in the area of early recognition and prevention and has proven invaluable.

The “Gaming Addiction and Game Protection” prevention and intervention program contains concrete steps for protecting children, teenagers and gamers. Another key element is the informational flyer, available in all gaming establishments, called “When the winning streak is over”, which allows for self-reflection of one’s own gaming behavior by means of a self-test, provides contacts for obtaining help anonymously and free of charge and is available in three languages (German, Turkish and Serbo-Croatian). A future goal is to collect reliable empirical data and studies about all relevant segments in the gaming market as well as gamers’ individual gaming behavior in Austria and at the international level – as efficient addiction research can only be built on scientifically sound foundations.

■ Pillar 2: Central telephone helpline

Since November 2006, NOVOMATIC has been cooperating with the department of Addiction Research and Addiction Therapy at the Medical University / General Hospital of Vienna. The nationwide telephone helpline for the prevention of gaming addiction, established by university professor Dr. Gabriele Fischer, provides interested and afflicted persons throughout Austria with information on all questions surrounding the topic of gaming. A team of qualified professionals from the area of addiction treatment offers anonymous counseling free of charge or refers those requiring further help to the regional counseling centers, self-help groups and therapy centers.

■ Pillar 3: Counseling and Prevention Network

For years, NOVOMATIC has been working successfully with regional and charitable self-help groups: These include Gamblers Anonymous (AS) in Vienna and Lower Austria as well as AS Salzburg (and other institutions are planned for the future). The new website [www.gluecksspielsucht.at](http://www.gluecksspielsucht.at) provides initial information on the topic to those interested, those afflicted and their loved ones. NOVOMATIC is planning to implement the competence network on the prevention of gaming addiction in other international markets as well.



## ■ SPONSORING ACTIVITIES

In 2006, NOVOMATIC spearheaded a wide range of activities towards the funding of social, sporting, cultural and scientific projects.

### □ Art and culture:

One of the projects sponsored was the IOV (International Organization of Folk Art), a member organization of the UNESCO, as well as the cultural association of Austrian Roma.

NOVOMATIC demonstrated its corporate citizenship as the most important sponsor of the community of Gumpoldskirchen, headquarters of the Group, by supporting the community's cultural budget with a commensurate level of funding: the company promotes the regional cultural dialogue without exercising sponsor influence.

In addition, NOVOMATIC donates a significant sum towards the production of the summer theater in the town of Stockerau.

### □ Sports:

In the area of sports sponsoring, the most visible player is the 100-percent subsidiary Admiral Sportwetten GmbH. The company supports a variety of Austrian Bundesliga soccer clubs (e.g. SK Rapid, FK Austria, GAK, SK Sturm, FC Superfund Pasching), ice-hockey clubs such as the Vienna Capitals, and many other types of sports.

Furthermore, NOVOMATIC not only provides additional sponsoring funds to handball clubs such as the AON Fivers in Vienna or the women's team of Hypo Lower Austria as well as the Austrian national ice-hockey team, but also shows a large commitment towards sports for the physically and mentally disabled in the form of promotion of the Wheel Chair Tennis Team Cup and key sponsoring of both hand-bikers Wolfgang Schattauer and Markus Schmoll within the scope of the European Handcycling Competition. And this commitment has paid off: Schattauer captured the world championship title and achieved his best finish since his accident seven years ago.

The company also supports the association Deutsche Sporthilfe (German Sports Aid Foundation) and the Paralympics Committee.

NOVOMATIC supports a regulated gaming market with multiple concessionaires. This would allow for an increase in the minimum threshold of sports funding required by law and thus greatly increase the funding of sports diversity.

### □ Healthcare and social causes:

Selected charitable initiatives and assistance projects were sponsored by the ADMIRAL CHARITY FOUNDATION, established in 2005 through a grant by NOVOMATIC. Funding is decided upon by a committee set up for that express purpose.



Special funding was provided to “Back to Life”, an initiative by Ms. Stella Deetjen, who for over a decade in Benares, a pilgrimage city in Northern India, has selflessly dedicated herself to caring for leprosy victims and street children and administering projects for rehabilitating those afflicted with leprosy, such as the construction of children’s orphanages that give leprosy-afflicted street children and orphans a home and an opportunity to free themselves from the constant struggle for survival on the street and to pursue a life of dignity through schooling and vocational training.

Special attention was also given to funding “die möwe”, an association dedicated to helping mentally, physically or sexually abused children, as well as sponsoring of projects as part of the initiative “Licht ins Dunkel”.

The Group also assisted the “Masibambane” College school charity project in Johannesburg. This assistance project was founded in 1997 at the initiative of the City of Vienna and is aimed at establishing classrooms, building other infrastructure, providing suitable training and creating jobs for the people in the region.

□ Science and Research:

In the area of science promotion, NOVOMATIC assumed key sponsorship for the new research prize “Austrian Life Science Award 2006”: This annual prize recognizes scientific excellence in the field of Life Sciences, Medicine and Biotechnology. The first laureate, Dr. Herbert Oberacher from the Institute for Forensic Medicine at the Medical University of Innsbruck, was pleased to accept the research prize that carries a stipend of 10,000 euros.

NOVOMATIC was also cooperation partner at the i.convienna, an international trade congress for Innovation, Information and Consulting, with a special emphasis on CEE.

Consolidated Financial  
Statements  
NOVOMATIC AG  
Group

# Management Report

for the 2006 Individual and Consolidated Annual Report  
NOVOMATIC AG, Gumpoldskirchen

## Introduction

The annual (individual) financial statements of NOVOMATIC AG are prepared according to the Accounting and Evaluation Principles in the Austrian Corporate Code. According to these rules, affiliates are listed in the financial assets section. Thus the individual financial statement shows merely a segment of the business outlook for NOVOMATIC AG and its affiliates.

## Financial Performance Indicators

### I. Asset Situation

Compared to 31 December 2005 total assets have increased by € 28.5 million to € 300.4 million. Growth on the assets side is above all due to an increase in fixed assets by € 28.9 million to € 210.4 million. Investments in the area of non-current assets comprise mainly the expansion of company headquarters, a site relocation and an increase in shares in affiliated companies.

Current assets to the amount of € 88.9 million have changed only minimally compared to the previous year (€ 89.5 million), with receivables from affiliates having grown by € 13.5 million to € 71.8 million. By contrast, liquid assets have decreased from € 22.5 million to € 12.3 million.

The equity capital of the company amounts to € 26.0 million. Taking into consideration capital reserves of € 1.0 million, retained earnings of € 1.6 million, balance sheet profit of € 86.7 million and untaxed reserves of € 0.2 million, the company's own resources have thus increased to € 115.5 million. The company's capital resources as a percentage of total capital are now 38.4% compared to 37.8% in the previous year.

Debt capital increased in the previous fiscal year by € 15.8 million to € 184.9 million. The most significant change pertains to the increase of miscellaneous liabilities by € 18.6 million to € 23.0 million.

## II. Financial Situation

From continuous business activity in 2006 there was a cash inflow of € 38.4 million, including changes in net current assets.

Cash outflows due to investment activity amounted to € 34.6 million in 2006. Important reasons for the outflows were capital increases in foreign subsidiaries, the acquisition of shares in Admiral Sportwetten due to the delisting from the Vienna Stock Exchange, and investments in land and buildings.

Financing activities in 2006 resulted in a cash outflow of € 12.5 million.

Overall, cash and cash equivalents decreased from € 22.5 million existing at the end of 2005 to € 13.8 million at the end of 2006.

## III. Profit Situation

With an increase in sales of € 6.7 million, NOVOMATIC AG achieved total sales of € 23.7 million during the last fiscal year. Sales were driven mainly by rent income from real estate holdings, management fees, licensing contracts and revenues from the loaning of personnel. Licensing and trademark fees based on a percentage of sales again grew substantially due to the positive economic development among the company's subsidiaries.

Personnel costs totaling € 2.1 million increased by € 0.7 million compared to the previous year. Other miscellaneous operating expenses increased by € 0.2 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 5.9 million to 12.0 million.

The financial result decreased by € 27.7 million to € 36.4 million.

Depreciation increased by € 1.2 million to € 5.1 million, as the result of stronger investment activity.

Thus profit before taxes was reduced by € 23.0 million to € 43.3 million.

After deduction of income taxes in the amount of € 0.6 million, there was an annual surplus of 42.7 million.

In order to provide a better insight into the asset, financial, and profit situation, the following management report is based on the Consolidated Financial Statements.

## 1. Economic Outlook

In 2006 Austria's economy experienced +3.2 percent growth (2005: +1.9 percent), representing the strongest economic growth since the year 2000. According to the Austrian Institute of Economic Research (Wifo), economic growth traditionally driven by exports is now shifting towards investment.

By 2011 global trade will have grown on average by 7.7 percent, and the world Gross Domestic Product by 4.4 percent, thus much more rapidly than over the past five years. Among industrial nations, the United States, at +3.1 percent, will continue to grow at a slightly higher rate than the EU (+2.3 percent). Economic researchers predict an average real growth of 2.5 percent for Austria over the next five years. According to forecasts, Austria's growth rate is expected to be slightly higher than the Euro zone average.

## 2. Developments and Trends in Gaming

According to the study, "Global Entertainment and Media Outlook 2006–2010", conducted by the accounting and consulting firm, PricewaterhouseCoopers (PwC), the casino and gaming industry is expected to increase its revenues worldwide between 2006 and 2010 by an annual rate of 8.8 percent to a total of US\$ 125 billion.

The Asian-Pacific region in particular is expected to experience significant growth, as the People's Republic of China is developing the city-state of Macao into a leading casino location. The South American market also offers great development potential.

In Europe, which accounts for more than 30 percent of worldwide sales in the gaming industry, growth is expected, above all, in the area of online gaming. The German market for online gaming alone is anticipated to grow annually by 17 percent. The overall revenue level, however, estimated at US\$ 764 million, is expected to be relatively low in 2010 by comparison. By contrast, in the United Kingdom revenues from online and TV gaming will be roughly US\$ 3.8 billion.

In casinos there is a continuous shift away from live gaming towards machine-based gaming. As regards gaming machines, traditional slot machines are increasingly giving way to video machines with new, additional features. Modern network systems, video lottery systems and online settlement programs, as well as server-based gaming are increasingly gaining in significance.

### 3. Overall Corporate Development of NOVOMATIC AG

NOVOMATIC AG is a worldwide operating, integrated gaming company with a dually oriented strategy as a producer and operator. During the reporting period the company further extended its position as a leading group of gaming companies and high-tech developer of gaming equipment in Europe. It will continue to be the company's top priority to be active only in regulated markets with a clear legal and regulatory operating environment.

In its 26th year of existence, NOVOMATIC AG for the second time in a row was voted a "Leading Company" in 2006 – for both Lower Austria and all of Austria – in the category of "global players" by a panel comprising PricewaterhouseCoopers, the Austrian Association for the Protection of Creditors (KSV) as well as the Austrian business daily "Wirtschaftsblatt".

In addition, a 2006 Austrian brand value study listed NOVOMATIC AG's brand value at one billion euros, which was the tenth place among Austrian top brands. In the weighted category the company was even named the leading brand with the highest growth potential among Austria's recreation industry.

#### 3.1. Production

The company's guiding principles in developing high-tech gaming equipment, in addition to attractive products for customers and gaming participants alike, are still partnership, reliability, fairness and security.

In 2006, Austrian Gaming Industries GmbH (AGI), the corporate subsidiary within the NOVOMATIC Group responsible for research and development, sales and marketing, once again further expanded its position as a world leader in the field of large machines, multi-player installations, as well as a myriad of new and interactive live games. One of the keys to this success is the vision that NOVOMATIC's founder, Professor Johann F. Graf, developed more than a decade ago for combining the attractiveness of traditional live games with the opportunities of state-of-the-art technologies. In addition to large gaming machines, the Gaminator® product has been a recent notable success.

As in previous years, the dual role as a producer of the very latest gaming equipment and as an operator of casinos, electronic casinos and sports betting outlets has proven successful. The ability to adapt swiftly to the ever-changing needs of the market, along with early market entry, in Eastern Europe, for example, have brought stable growth.

The development successes in the reporting period were also turned into sales successes, the highlights of which are mentioned below:

In January 2006 the casino in Erfurt, Germany, became the first casino with a combination of the most popular AGI Multi-Player Novo TouchBet® Live-Roulette and Novo Multi-Roulette™ machines integrated into one system.

In February, AGI delivered Novo TouchBet® Live-Roulette and Novo Multi-Roulette™ machines to the top distributor, Escor-Automaten AG, in Switzerland, where both machines were able to successfully defend a market share of 100 percent. In addition, each video game licensed by AGI in Switzerland reached the top rankings.

In April there was a delivery of large gaming machines to the Bad Homburg casino in Germany, where a new Roulette Lounge was opened: For the first time the Novo TouchBet® Live-Roulette was installed in Bad Homburg in combination with eight white Novo Tableau™ multi-player terminals.

In June several of AGI's latest machines were put into operation at the opening of Casino Lisboa in Portugal – including Novo Flying Roulette™ and Novo Multi-Roulette™ with touch screen terminals, Gaminator® machines, as well as “Grand Roulette” single-player roulette machines.

In August AGI delivered the latest roulette technology to four additional Casinos Austria sites: Novo TouchBet® Live-Roulette and Novo Multi-Roulette™ installations can be found at Casino Austria's locations virtually throughout the country.

In October Holland Casino, with 13 casinos in the Netherlands, decided in favor of AGI equipment. The project involved machines such as the Classic Streamline™ with World of Roulette™ single-player roulette, and the Gaminator® featuring a selection of the latest top games, such as Lucky Lady's Charm™, Dolphin's Pearl™, Knight's Quest™ and Sharky™.

In December there was a major delivery to the now open Westspiel Casino in Duisburg, including Germany's largest roulette installation with a total of 75 terminals, featuring the Novo Multi-Roulette™ system with Novo Multi-Table Roulette™ terminals, Novo TouchBet® Live-Roulette tables with Novo Multi-Table Roulette™ terminals, plasma displays and Novo Wheel Info Displays™, along with machines such as the Gaminator® (Bingo+) and Duo-Vision™ (with Coolfire™ II games).

The Holiday Resort Genting in Malaysia, already home to the world's largest Novo TouchBet® Live roulette installation, had an additional 100 terminals, including plasma screens, installed in 2006. Thus all in all, AGI has delivered multi-player installations to five casinos with a total of 323 terminals.

Initial multi-player installations have also been sold in the booming gaming market in Macao – with terminals in the Galaxy Casino as well as in the Venetian Sands Casino. Overall, AGI considers Asia a growth market and thus began in the previous year to develop new markets such as Vietnam, Cambodia, Singapore and the Philippines.

In addition to business successes in Russia and the Baltic republics, the South American market is also gaining in importance. The company intends to establish an even stronger presence there – in countries such as Argentina, Peru, Uruguay and Panama.

Finally, 2006 also saw initial slot machine installations in the US state of Colorado.

Near the Hungarian city of Sopron, the new wire harness factory went into full operation in the summer of 2006. AGI's subsidiary AGI Hungaria Kft. invested a total of three million Euros on a 15,000 square meter site. The factory, which produces according to the latest technological standards, employs 120 workers and is always operating at high capacity, not least owing to the numerous orders from outside the corporate group.

Astra Games, part of the AGI Group since autumn of 2004 via AGI's subsidiary Novo Gaming UK, has also earned its positive outlook. The main focus is on developing competitive products for the English market.

Another success story was the start-up of AGI subsidiary NSM-Löwen Entertainment GmbH in Bingen am Rhein. The demand for the new NOVO Line™ generation of machines, unveiled in the autumn of 2006 and very successfully launched in the market, led to production and customer delivery of nearly 10,000 machines by the end of the year.

Finally, in October the American gaming company International Game Technology (IGT) acquired licensing rights from NOVOMATIC AG for the NOVOMATIC Multi-Player.

In order to secure its leading position in technology on a long-term basis, last summer NOVOMATIC's subsidiary AGI launched a spectacular campaign against product piracy at the World of Games trade fair in Moscow. Pirate copies of AGI products were destroyed by being run over by steamrollers, before the eyes of assembled journalists and TV crews from international and local media.

### 3.2. Operative Business

During the reporting period, NOVOMATIC AG further intensified its activities towards the prevention of gaming addiction. Prevention of addiction has been a key topic to NOVOMATIC as part of its regulatory responsibility for years. The group of companies advocates a comprehensive examination of non-substance addictions, as only then can measures for efficient and targeted prevention be implemented.

A new and more comprehensive competence network is now further enhancing the efforts of those involved in the field of Responsible Gaming: based on many years of cooperation with research institutions such as the Interdisciplinary Addiction Research Group (ISFB) in Berlin, the Charité university hospital in Berlin, a new and countrywide telephone helpline in Austria (in cooperation with the Department of Addiction Research and Addiction Therapy at the Medical University of Vienna) as well as regional charitable self-help groups (such as Gamblers Anonymous in Vienna, Lower Austria and Salzburg) are intended to ensure the best possible support of measures aimed at curbing the dangers of problematic gaming behavior. A website, [www.gluecksspielsucht.at](http://www.gluecksspielsucht.at), has also been established for this purpose. In addition, at the beginning of November 2006, some 150 upper-level employees were informed and instructed during a two-day seminar on the corporate group's preventive measures against gaming. All of these measures are being further intensified.

Also in 2006, NOVOMATIC's subsidiary Austrian Gaming Industries GmbH (AGI), as the group's showcase manufacturing brand, managed to expand its position as a leading operator of electronic casinos in the markets of Eastern and Southeastern Europe. AGI subsidiary Alfor SIA was able to further build on its successes in Latvia: In the reporting period, Alfor operated a total of 4,000 gaming machines in 120 electronic casinos and already employs 900 people. The market entry into Estonia (140 employees) and Lithuania (25 employees) has also developed favorably and there are plans to press ahead. Also in the Ukraine, the development of the market has been further spearheaded through a 100% subsidiary of AGI.

In Hungary the AGI subsidiary AGI American Games Kft. is running seven electronic casinos (one more than in the previous year).

In Croatia expansion continued swiftly in the year 2006. As of the end of the year, the number of casinos grew to a total of 26 (2005: four). The opening of the Admiral Opatija casino, established in the historic Vila Madona and launched at the beginning of October, represented a milestone towards offering high-tech gaming equipment and live gaming in special surroundings.

Expansion was intensified in Southeast Europe. In Romania the company's already successful market development efforts were further strengthened. In Bosnia and Albania 100% subsidiaries of AGI were established during the reporting period.

The results of the 2005 acquisition, Extra-Games Entertainment GmbH in Pfullendorf, in the German state of Baden-Württemberg, were also very favorable. The number of electronic casinos was increased from 25 to 50, with numerous existing locations having been expanded or modernized.

In Austria, Europe's largest sports betting casino, the Admiral Casino in Vienna's Prater, has developed into a successful flagship within just two years after its opening. Admiral Sportwetten GmbH – now a 100-percent subsidiary of NOVOMATIC AG after its delisting from the Vienna Stock Exchange in September 2006 – has expanded its position as Austria's sports betting company offering the most outlets, with a total of 164 (14 more than in 2005).

The NOVOMATIC subsidiary, Hotel und Tourismus Management GmbH (Hotel and Tourism Management Ltd., HTM) has also seen a pleasing development. In the reporting period the company managed over 80 outlets in Vienna, 32 of which also offered food services. 18 outlets were run as Admiral Sports Betting locations without food services. All outlets feature gaming machines within the scope of Austrian gaming regulations.

Through the introduction of nationally regulated gaming in Lower Austria, 2006 turned into a growth year for HTM, which implemented the Admiral entertainment concept in a total of twelve locations in Lower Austria. Also in Lower Austria, HTM is running Admiral Sports Betting shops in Ternitz and in the Magna Racino in Ebreichsdorf. In cooperation with Cashpoint, an outlet was also established in Krems.

With its "Admiral am Kurpark" hotel, HTM is also running a very successful four-star hotel in the town of Baden near Vienna.

Wett Café Betriebsgesellschaft m.b.H., as a 100-percent subsidiary of HTM, runs over 38 locations in Styria, featuring gaming machines and Admiral Sports Betting within the scope of Austrian gaming regulations. In the reporting period, Wett Café Betriebsgesellschaft m.b.H. as well managed to follow on the successes of its parent company, HTM.

## 4. Financial Performance Indicators

### 4.1. Asset Situation

Total assets increased over 31 December 2005 by € 102.0 million to € 597.5 million. On the assets side, this growth is mainly due to an increase in fixed assets by € 116.8 million to € 279.0 million. The investments mainly involved land and buildings to the amount of € 27.4 million, investments in technical plants and machinery to the amount of € 49.6 million, as well as equity investments in affiliates totaling € 10.9 million.

Current assets decreased overall by € 24.0 million to € 292.9 million, although inventories increased by € 11.0 million and receivables from affiliates increased by € 12.6 million. Trade receivables decreased by € 10.4 million. Liquid assets totaled € 120.1 million, € 36.6 million less than in the previous year. Deferred charges increased by € 9.2 million to € 25.6 million. This is mainly due to the increase in deferred taxes.

Total equity grew by € 83.6 million to € 270.2 million, € 14.8 million of which comprise minority interests. In addition, total equity comprises the share capital of the parent company amounting to € 26.0 million, capital reserves of € 1.0 million, retained earnings of € 1.6 million and consolidated balance sheet profit of € 228.2 million. The company's capital resources as a percentage of total capital are now 45.2% versus 37.7% in the previous year.

Debt capital increased in the last fiscal year by € 18.4 million to € 327.3 million, the most significant changes resulting from the reduction of miscellaneous provisions by € 8.4 million as well as the increase in miscellaneous liabilities by € 12.5 million and in deferred income by € 13.7 million. The increase in deferred income is mainly attributable to pre-paid rental income.

### 4.2. Financial Situation

From continuous business activity in 2006, there was a cash inflow of € 142.6 million for the entire group, including changes in net current assets.

Cash outflows from the group's investment activity amounted to € 160.7 million in 2006, the most important reasons for this being investments in tangible fixed assets.

Financing activities resulted in a cash outflow of € 15.7 million in 2006. Thus the group's consolidated cash and cash equivalents dropped by € 35.0 million to € 122.4 million at the end of 2006.

#### 4.3. Profit Situation

In the fiscal year of 2006 the Group's consolidated operating performance showed an increase by some € 118.3 million to € 813.4 million, 750.6 million of which were sales.

The cost of materials increased by € 21.6 million to € 309.4 million, due to an expansion in production. Group personnel costs were € 124.5 million in 2006 and thus accounted for 15.3% of total operating performance (15.1% in the previous year). Other miscellaneous operating expenses increased by € 49.1 million to € 183.6 million. The most significant increase occurred in expenses for rent, tenancy and leasing, as well as marketing expenses.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were thus improved by some € 27.9 million to € 195.9 million.

The negative financial result increased from € -2.4 million to € -2.9 million. Group-wide depreciation increased through expanded investment activity by € 17.1 million to € 43.4 million.

Profit on ordinary activities improved by € 10.4 million compared to the previous year. After consideration of extraordinary profit amounting to € 3.8 million and taxes on income and profit of € 33.6 million, there was an annual surplus of € 119.7 million for the Group.

## 5. Events of Significance after the Balance Sheet Closing Date

In March 2007, NOVOMATIC AG concluded a contract with France-based International Group of Gaming & Resorts as well as Sun International, a renowned operator of casinos and hotel resorts in South Africa, concerning the acquisition of a 40-percent stake in San Francisco Investment SA, a Chilean company owning a 15-year license to operate a casino in Chile's Region VI. In NOVOMATIC's view, this is Chile's most significant casino project.

NOVOMATIC's equity investment was made subject to approval of a corresponding solicitation submitted to the Chilean Gaming Commission, the Superintendencia de Casinos de Juego (SCJ).

As soon as approval is granted, NOVOMATIC will acquire the stake in San Francisco Investment SA for a sum yet to be disclosed and conclude long-term know-how and consulting contracts.

The casino in San Francisco de Mostazal, which lies directly south of Santiago, is the only casino in a catchment area of 70 kilometers, thus it is expected to attract guests from the cities of Rancagua and Santiago with a combined population of over six million.

The casino project is to involve a total of 1,500 gaming machines, 80 gaming tables and 300 bingo terminals. The complex will also feature a hotel, conference facilities, sports facilities, as well as a theater, shops, a tourist information office, recreational activities for families and a wide range of food establishments.

This casino project falls in line with NOVOMATIC Group's worldwide expansion strategy. The company considers Chile a country with a stable and progressive government, a bright economic outlook and strong tourism and investment potential. Chile recently passed new gaming legislation and is internationally considered a well-regulated market with a recognized legal operating environment. The metropolitan area of the capital of Santiago is the country's industrial and financial center. It is here where 45 percent of the country's GDP is generated. Construction is set to commence in the near future, and the casino is expected to open by mid-2008.

In April 2007 the new administrative headquarters of NOVOMATIC's Latvian subsidiary Alfor, representing a five-million-euro investment, opened up near Riga Airport. This company is intended to secure the dominant market position in the Baltic republics on a long-term basis.

## 6. Developments after the Balance Sheet Closing Date

### 6.1. Production

In time for the world's most important gaming fair, the "International Casino Exhibition (ICE) 07" in London, NOVOMATIC's subsidiary AGI once again unveiled a great number of innovations in the category of Video Games and Slot Machines. The Coolfire® II technology in particular marks the commencement of a new age in gaming design and technical features in cabinets. High-speed Freescale Motorola Coldfire processors enable maximum processor performance, Dolby Surround Sound including sub-woofers guarantees a new sound experience, and secure Fast Ethernet, as well as Flash and Compact Flash storage media, fulfill the utmost in security criteria and enable swift changing between games. USB connections to all peripherals for straightforward configuration and high-resolution touch screens for unlimited user-friendliness on up to three monitors round out the Coolfire® II platform and guarantee a totally innovative gaming experience, as well as maximum flexibility.

The new housing of the G-Rex™ series for Coolfire® II games also sets new standards in monitor features: the Duo-Vision™ with two and the Tri-Vision™ with three 16:10 touch screen monitors offer entirely new game design possibilities on extra-wide displays. Tri-Vision™ enables the player to harness the advantages of the third screen for a whole new experience of gaming entertainment.

In the multiplayer area, where NOVOMATIC has been a pioneer and uncontested world market leader for many years, the advantages of a proprietary, server-based multi-player platform have been recognized and implemented for the customer's benefit. Ongoing R&D, combined with the company's hands-on experience from gaming operations make the latest multi-player technology more flexible, more secure, and more profitable. The server-based multi-player platform, NOVO Unity™, is considered a milestone towards the multi-player platforms of the future.

In addition to a high degree of user-friendliness and low maintenance, the modern NOVO Unity™ now offers a whole range of new features. Based on a Windows XP Embedded Version, this system offers numerous advantages for gamers and operators alike, including the new bookkeeping tool, Management Console, along with several other graphic display options.

The NOVO Wheel Info Display™ offers casino guests a new roulette experience. The new display for the NOVO Unity™ platform offers a clear overview of all game statistics in an innovative design and can be combined with all multi-player roulettes in the NOVO Unity™ range.

In addition to traditional cash handling with tokens, coins or bank notes, the NOVO Unity™ platform also offers the latest Ticket-In/Ticket-Out operation – TiTo, for short, or EZ Pay® Lite. This modern cash handling system enables the player to continue to insert cash, while payouts are made in the form of a ticket. The visitor can either redeem the ticket via a cashier or transfer credits onto another TiTo-based machine. But other state-of-the-art cashless systems, such as the Smartcard, are also supported by NOVO Unity™. For all the products in the NOVO Unity™ Roulette range, AGI offers a wide selection of housings: including the B&G™ terminal, the Novo Tableau™, the legendary Gaminator® or the classic Slant Top.

Additional new members of the NOVOMATIC Multi-Player series are the NOVO Baccarat Royal™, the NOVO TouchBet® Baccarat Royal™ and the NOVO TouchBet® Sic Bo, which the company expects to achieve superb sales, especially in the Asian market.

The tremendous success of AGI's subsidiary NSM-Löwen Entertainment GmbH in Bingen am Rhein continued during the first months of the current fiscal year. As of May, 11,000 additional units of the new NOVO Line™ machine generation have been delivered.

After comprehensive market research and numerous inquiries by Spanish casino operators, NOVOMATIC Gaming Spain S. A. opened up an office in Barcelona, which is soon to be followed by a headquarters in Madrid.

A new office was also opened in Santiago de Chile. This serves as a base of operations from which the expansion into bordering Latin American countries is promoted.

## 6.2. Operative Business

Overall it is important to note that, for the first months of the fiscal year of 2007, the positive trend is continuing in all of the markets being managed and developed by NOVOMATIC AG and its subsidiaries.

Admiral Sportwetten GmbH is already laying the necessary groundwork in the run-up to the 2008 European Soccer Championships in Switzerland and Austria, in order to fully capitalize on this major sporting event.

There are plans in 2007 to continue the consistent growth pattern of Extra Games Entertainment GmbH. There are currently ten additional locations being developed.

## 7. Research and Development

As an international trendsetter and innovator, NOVOMATIC AG has for years been constantly investing amounts well above the industry average in research and development. In the years to come, the company intends to both secure and expand its competitive edge in the design, development, production and marketing of highly innovative gaming equipment, created in the Group's networked competence centers operating on an international basis. This also applies to the more than 750 intellectual property rights such as trademarks, patents and designs.

In addition to attractive new games and new multi-player generations with card and dice games (Baccarat, Blackjack, SicBo, etc.), the core topic of networking is gaining in importance. Online account settlement systems, information systems, along with networked video lottery and video network terminals, are becoming just as important as state-of-the-art ticket technology. Central servers will allow the product mix to be continuously optimized while the system is running – featured games will be adjusted in response to player requests. Networking serves the primary function of player security and offers protection against manipulation.

Server-based gaming is more and more becoming a trend in the industry. Finally, for the first time there is a common PC-based standard for networking systems of machines made by different manufacturers. NOVOMATIC's subsidiary AGI is already a Gold Member of the Gaming Standards Association.

## 8. Risks

### 8.1. Legislative Risks

Legislative risks can occur depending upon changes in legislation, guidelines and regulations, above all in the area of licensing of gaming facilities and also in the areas of production, marketing and product licenses. In addition, there are risks in the realm of product liability, consumer protection and based on the tightening of international measures for the prevention of money laundering.

### 8.2. Changes in Customer Behavior

Due to the multitude of leisure and entertainment activities, customer behavior is constantly changing. This requires product adaptations and constant innovation in order to maintain the market position in the target markets. One cannot exclude the possibility that customer or consumer preferences may not be recognized in a timely manner.

### 8.3. Risk of Technological Change

NOVOMATIC AG is involved in a high-tech market, in which new technologies are developed or used in short innovation cycles. One cannot exclude the possibility that innovative technologies and developments may not be recognized or put into proper use in a timely manner.

### 8.4. Operative Risks

The risks of business interruption as well as property damage due to fire and burglary are covered by an all-risk insurance policy.

## 9. Financial Instruments

At NOVOMATIC AG the shares in affiliated companies and receivables or payables towards affiliates represent vital financial instruments. In order to monitor the risk of default, management remains informed about the relevant developments in these companies through regular reporting by the Group controller. Ongoing earnings growth is also monitored by management through regular reporting by the Group controller. Ongoing earnings growth is compared monthly with the approved annual budget and examined in terms of variances. The default or liquidity risk is thus considered low.

Another financial instrument available to NOVOMATIC AG is the ongoing monitoring of trade receivables. In order to minimize the risk of default involved in trade receivables, customer adherence to negotiated payment terms is continuously monitored. When payment terms are exceeded, management is informed immediately, whereupon appropriate collection measures are initiated.

Given the high cash balances resulting from business activity, internal controlling measures are taken to safeguard against embezzlement.

Trade payables are paid out of cash flow. In case of liquidity shortages, there is a sufficient overdraft limit at the company's main banks. Due to the Group's credit rating, it is always possible to negotiate a higher overdraft limit if this should be necessary.

The level of interest rates is constantly monitored to help hedge against interest rate risks. In case of changes, corrections are made immediately. In addition, in August 2005 the company entered into a seven-year contract for a forward rate swap as a hedge against rising interest rates.

As the financial instruments of individual subsidiaries follow a group-wide strategy, they are used as instruments in the Group as well. Default risk, ongoing earnings growth, variances from the approved annual budget, etc. are all evaluated from the Group's perspective and reported to the management.

## Introduction

The annual (individual) financial statements of NOVOMATIC AG are prepared according to the Accounting and Evaluation Principles in the Austrian Corporate Code. According to these rules, affiliates are listed in the financial assets section. Thus the individual financial statement shows merely a segment of the business outlook for NOVOMATIC AG and its affiliates.

## Financial Performance Indicators

### I. Asset Situation

Compared to 31 December 2005 total assets have increased by € 28.5 million to € 300.4 million. Growth on the assets side is above all due to an increase in fixed assets by € 28.9 million to € 210.4 million. Investments in the area of non-current assets comprise mainly the expansion of company headquarters, a site relocation and an increase in shares in affiliated companies.

Current assets to the amount of € 88.9 million have changed only minimally compared to the previous year (€ 89.5 million), with receivables from affiliates having grown by € 13.5 million to € 71.8 million. By contrast, liquid assets have decreased from € 22.5 million to € 12.3 million.

The equity capital of the company amounts to € 26.0 million. Taking into consideration capital reserves of € 1.0 million, retained earnings of € 1.6 million, balance sheet profit of € 86.7 million and untaxed reserves of € 0.2 million, the company's own resources have thus increased to € 115.5 million. The company's capital resources as a percentage of total capital are now 38.4% compared to 37.8% in the previous year.

Debt capital increased in the previous fiscal year by € 15.8 million to € 184.9 million. The most significant change pertains to the increase of miscellaneous liabilities by € 18.6 million to € 23.0 million.

### II. Financial Situation

**Dr. Franz Wohlfahrt**  
Chairman of the Board  
of Directors

**DI Ryszard Presch**  
Deputy Chairman  
of the Board of Directors

**Mag. Peter Stein**  
Member of the Board  
of Directors

# Consolidated Balance Sheets

as of December 31, 2006

Assets	31.12.2006	31.12.2005
	EUR	TEUR
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
1. Concessions, industrial property rights and similar rights and values, as well as licenses thereto	18,539,741.20	8,538
2. Goodwill	55,852.68	495
3. Payments on account	14,731.44	63
	<b>18,610,325.32</b>	
<b>II. Tangible assets</b>		
1. Land and buildings, including buildings on third-party land	89,579,733.04	62,145
2. Technical equipment and machinery	95,735,044.98	46,091
3. Other equipment, factory and office equipment	33,127,349.40	22,660
4. Payments on account and assets under construction	9,865,341.73	7,351
	<b>228,307,469.15</b>	
<b>III. Financial assets</b>		
1. Shares in affiliated companies	11,403,908.13	467
2. Loans to affiliated companies	321,000.06	0
3. Shares in associated companies	9,221,276.59	7,018
4. Investments	874,733.97	378
5. Loans to associated companies	0.00	966
6. Long-term securities	6,596,155.90	2,574
7. Other loans	3,688,645.19	3,462
	<b>32,105,719.84</b>	
	<b>279,023,514.31</b>	<b>162,208</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials	27,316,950.91	17,997
2. Work in progress	8,270,466.83	8,228
3. Finished goods and goods for resale	19,044,876.99	20,626
4. Payments on account	7,545,914.75	4,351
	<b>62,178,209.48</b>	
<b>II. Receivables and other assets</b>		
1. Trade receivables	66,376,514.37	76,760
2. Receivables from affiliated companies	13,531,813.70	976
3. Receivables from associated companies	353,955.35	975
4. Other receivables and assets	28,042,797.65	29,634
	<b>108,305,081.07</b>	
<b>III. Securities held as current assets</b>	<b>2,305,615.52</b>	<b>709</b>
<b>IV. Cash, bank deposits</b>	<b>120,092,776.96</b>	<b>156,665</b>
	<b>292,881,683.03</b>	<b>316,921</b>
<b>C. Prepaid expenses</b>	<b>25,598,341.55</b>	<b>16,388</b>
	<b>597,503,538.89</b>	<b>495,517</b>

	31.12.2006	31.12.2005
Equity and Liabilities	EUR	TEUR
<b>A. Equity</b>		
<b>I. Share capital</b>	26,000,000.00	26,000
<b>II. Capital reserves</b>		
Tied up	976,371.00	976
<b>III. Profit reserves</b>		
1. Legal reserves	1,623,629.00	1,624
2. Other reserves	31,262,805.43	31,263
3. Positive/negative differences from capital consolidation	-31,328,359.12	-25,779
	<b>1,558,075.31</b>	
<b>IV. Adjustment item for currency translation</b>	<b>-1,340,041.67</b>	<b>-219</b>
<b>V. Retained profits thereof carried forward</b> <b>EUR 115,528,400.98 (PY: EUR 43,059 thousand)</b>	<b>228,205,229.96</b>	<b>145,528</b>
<b>VI. Minority interests</b>	<b>14,808,048.86</b>	<b>7,238</b>
	<b>270,207,683.46</b>	<b>186,631</b>
<b>B. Accruals</b>		
<b>1. Accruals for severance payments</b>	4,943,387.13	4,238
<b>2. Pension accruals</b>	7,418,607.33	6,827
<b>3. Tax accruals</b>	17,108,041.32	18,050
<b>4. Other accruals</b>	24,371,970.27	32,740
	<b>53,842,006.05</b>	<b>61,855</b>
<b>C. Liabilities</b>		
1. Bonds	150,000,000.00	150,000
2. Due to banks	32,272,382.08	35,655
3. Advances received from customers	2,214,250.66	2,196
4. Trade payables	21,981,010.93	18,410
5. Payables to affiliated companies	194,050.47	157
6. Payables to associated companies	420.00	37
7. Other liabilities thereof taxes EUR 17,537,942.13 (PY: EUR 10.091 thousand) thereof social security EUR 2,212,632.83 (PY: EUR 2,001 thousand)	52,430,688.05	39,887
	<b>259,092,802.19</b>	<b>246,342</b>
<b>D. Deferred income</b>	<b>14,361,047.19</b>	<b>689</b>
	<b>597,503,538.89</b>	<b>495,517</b>
<b>Contingent liabilities</b>	<b>1,252,623.31</b>	<b>1,416</b>

# Consolidated Profit and Loss Statement

for the period from January 1, 2006 to December 31, 2006

	2006	2005
	EUR	TEUR
1. Sales	750,635,690.50	645,528
2. Change in finished goods and work in process and services not yet invoiced	-2,175,774.08	6,463
3. Own work capitalized	45,195,683.35	30,585
4. Other operating income		
a) Gains from disposal of fixed assets excluding financial assets	2,807,712.27	3,201
b) Income from release of accruals	4,212,462.93	510
c) Other	12,739,619.31	8,793
	<b>19,759,794.51</b>	
5. Cost of materials and production-related services purchased		
a) Cost of materials	-150,258,869.94	-173,762
b) Distribution of profits	-159,158,122.18	-114,100
	<b>-309,416,992.12</b>	
6. Personnel expenses		
a) Wages	-35,707,296.68	-28,198
b) Salaries	-62,262,826.73	-53,709
c) Expenses for severance payments and contributions to the company's severance payments scheme	-1,453,238.35	-1,587
d) Pension expenses	-1,068,548.16	-1,182
e) Cost of statutory social security, payroll related taxes and mandatory contributions	-23,414,549.41	-19,474
f) Other social expenses	-642,031.21	-658
	<b>-124,548,490.54</b>	
7. Amortization of intangible assets and depreciation of fixed assets	-43,433,598.84	-26,348
8. Other operating expenses		
a) Taxes not included in line 22	-50,680,379.09	-34,225
b) Other	-132,900,909.72	-100,251
	-183,581,288.81	
9. Operating income (subtotal of lines 1 to 8)	<b>152,435,023.97</b>	141,586

	2006	2005
	EUR	TEUR
10. Investment income	385,030.26	31
11. Result from investment in associated companies	1,176,122.52	137
12. Income from other investments and long-term loans	247,855.11	320
13. Other interest and similar income	4,390,184.15	1,877
14. Gains from disposal of and appreciation to financial assets	388,660.72	35
15. Expenses relating to financial assets thereof write-downs EUR 12,950.08 (PY: EUR 234 thousand) thereof to affiliated companies EUR 0.00 (PY: EUR 122 thousand)	-146,916.16	-425
16. Interest and similar expenses	-9,317,831.76	-4,405
<b>17. Financial result (subtotal of lines 10 to 16)</b>	<b>-2,876,895.16</b>	<b>-2,430</b>
<b>18. Results form ordinary activities</b>	<b>149,558,128.81</b>	<b>139,156</b>
19. Extraordinary income	6,118,278.62	7,000
20. Extraordinary expenses	-2,364,225.84	-11,801
<b>21. Extraordinary result</b>	<b>3,754,052.78</b>	<b>-4,801</b>
22. Taxes on income	-33,562,793.21	-27,763
<b>23. Net income for the year</b>	<b>119,749,388.38</b>	<b>106,592</b>
24. Minority interests in net income	-7,072,559.40	-3,723
25. Allocation to profit reserves	0.00	-400
<b>26. Net profit for the year</b>	<b>112,676,828.98</b>	<b>102,469</b>
27. Profits carried forward from previous year	115,528,400.98	43,059
<b>28. Retained profits</b>	<b>228,205,229.96</b>	<b>145,528</b>

# Consolidated Financial Statements

as of December 31, 2006

Notes

## 1. General

The consolidated financial statements of NOVOMATIC AG as of December 31, 2006 were prepared in compliance with sections 189–211, with sections 222–243 as well as with sections 244–266 of the Austrian Commercial Code considering section 222 para 2 of the Austrian Commercial Code, in order to present a true and fair view, in all material respects, of the financial position and the results of operations.

### a) Methods of Accounting and Evaluation

The annual financial statements of the companies included in the consolidated financial statements were prepared in accordance with the principle of materiality and following standard principles of accounting and evaluation.

Consolidation of investments was performed according to the book value method. The equity at the first-time consolidation date was valued at the book values of the assets to be included in the consolidated financial statements, the untaxed reserves, accruals, liabilities and prepaid expenses and/or deferred income adjusted according to section 260 para 2 of the Austrian Commercial Code and was offset against the corresponding book values of the investments held by the parent company.

The consolidated financial statements were prepared in accordance with the relevant legal requirements and the proper accounting principles. For valuation and presentation of the financial statements, the legal requirements of the Austrian Commercial Code were decisive.

The principles of completeness and non-arbitrariness were observed. Valuation follows the proper accounting principles; valuation methods applied to the consolidated financial statements of the previous years were maintained, valuation was based on the going concern principle, assets and liabilities were valued individually on the balance sheet date.

The principle of prudence was followed by reporting only profits realised as of the balance sheet date. All identifiable risks and imminent losses incurred during the financial year or in previous periods were accounted for.

The previously applied form of presentation was maintained when preparing these consolidated financial statements. Items of the balance sheet and the profit and loss statement showing a zero balance in the current financial year and in the previous one were not listed according to section 223 (7) of the Austrian Commercial Code. For the profit and loss statement the total expenditure format was applied.

## b) Companies Included in Consolidation

 The following 40 companies – in addition to the parent company NOVOMATIC AG, Gumpoldskirchen – were fully consolidated:

Name	Register office	Capital share	Equity TEUR	Net profit/loss for the year TEUR
Austrian Gaming Industries GmbH	Gumpoldskirchen (AT)	100.00%	279,100	110,305
„G.A.M.E. SYS“ Geldspiel – Automaten – Miet-Elektronik – System Gesellschaft mbH	Vienna (AT)	100.00%	1,682	53
J + C Schaaf Spielautomatenbetriebs Ges.m.b.H	Vienna (AT)	100.00%	877	104
HTM Hotel und Tourismus Management GmbH	Gumpoldskirchen (AT)	100.00%	23,725	7,530
Wett Café Betriebsgesellschaft m.b.H.	Graz (AT)	100.00%	9,418	3,493
Gastronomie- u. Unterhaltungselektronik Betriebs GmbH	Klagenfurt (AT)	100.00%	1,476	474
Sportwetten Pirker GmbH	Vienna (AT)	100.00%	1,873	1,088
Admiral Sportwetten GmbH	Gumpoldskirchen (AT)	100.00%	1,414	-218
A.B.S. SA	Zabierzow (Poland)	99.00%	30	9
Admiral Sports Betting (UK) Ltd.	London (GB)	100.00%	-1,603	-228
Admiral Invest GmbH	Gumpoldskirchen (AT)	100.00%	525	-15
AS Novoloto	Tallinn (Estonia)	100.00%	6,485	73
NOVO Poland Sp.z.o.o.	Lodz (Poland)	90.00%	1,517	314
AGI Hungaria Kft.	Sopron (Hungary)	100.00%	5,691	522
AGI American Games Kft.	Sopron (Hungary)	100.00%	1,477	862
Alfor SIA	Riga (Latvia)	60.00%	34,442	22,811
Novo Gaming d.o.o.	Zagreb (Croatia)	100.00%	28,960	-23
Admiral International Casinos d.o.o.	Zagreb (Croatia)	100.00%	-2,084	-1,262
Erba d.o.o.	Zagreb (Croatia)	100.00%	988	-652
SC Intertop srl.	Bucharest (Romania)	99.00%	-779	-820
NOVOMATIC Casino- und Automatentechnik GmbH	Berlin (D)	100.00%	12,211	248
NSM-Löwen Entertainment GmbH	Bingen, Rhein (D)	100.00%	43,519	12,728
Novo Immobilien GmbH & Co. KG	Bingen, Rhein (D)	100.00%	2,617	704
Novo Gaming UK Ltd.	Bridgend (GB)	100.00%	2,258	-326
Astra Games Holding Ltd. (Subgroup)	Bridgend (GB)	90.00%	4,352	-945
OOO HTL Posledni Per.	Moscow, (RU)	99.00%	35,554	2,200
Novo Investicije d.o.o.	Ljubljana (SI)	100.00%	3,368	-230
HT Management d.o.o.	Sezana (SI)	100.00%	3,066	-246
Admiral Kazino Mediteran d.o.o.	Kozina (SI)	100.00%	414	-22
HTL Ukraine LCC	Kiev (UA)	100.00%	6,393	182
Extra Games Entertainment GmbH	Pfullendorf (D)	80.00%	10,319	-2,672
SC Novo Invest CO srl.	Bucharest (Romania)	99.00%	112	-139
Treuhandgesellschaft	Austria (AT)	60.00%	842	94
aon Wettdienstleistung GmbH	Gumpoldskirchen (AT)	100.00%	812	-188
Algast Gastronomie GmbH	Vienna (AT)	100.00%	510	116
BPA Freizeit- & Unterhaltungsbetriebe GmbH	Munich (D)	80.00%	1,590	-410
ALS Group OOO	St. Petersburg (RU)	60.00%	-4	-217
ALS OOO	St. Petersburg (RU)	100.00%	-83	6
UAB Azarto technika	Alytus (LT)	80.00%	9,786	256
Techno Invest Sp.z.o.o.	Warsaw (Poland)	90.00%	358	260

The mergers of IGD Software Entwicklungsges.m.b.H. and Austrian Gaming Industries GmbH as well as Admiral Betriebs GmbH and Admiral Sportwetten GmbH as of January 1, 2006 did not have any effect on the companies included in the consolidation.

The following seven companies, in which a majority interest was acquired in the reporting period, were fully consolidated for the first time in these consolidated financial statements:

Algast Gastronomie GmbH, ALS Group 000, ALS 000 and UAB Azarto technika were first consolidated as of December 31, 2006, aon Wettdienstleistung GmbH and BPA Freizeit- & Unterhaltungsbetriebe GmbH were consolidated on the date of their incorporation. Techno Invest Sp.z.o.o. was changed from equity valuation to capital consolidation through an additional acquisition of shares of this company.

The following companies, which were first consolidated on December 31, 2005, were included in the 2006 profit and loss statement for the first time:

Extra Games Entertainment GmbH, HT Management d.o.o., trust company.

Due to the increase in the number of companies included in consolidation as well as the incorporation of the above-mentioned companies, the figures of this reporting year can only be compared with the figures of the previous year to a limited extent.

The following affiliated companies were not included in the consolidated financial statements in accordance with section 249 (2) of the Austrian Commercial Code because they were immaterial with regard to the obligation to present a true and fair view of the Group's net assets, financial position and results of operations:

Name	Registered office	Capital share
Admiral Pferdewetten Deutschland GmbH	Berlin (D)	100.00%
Admiral Club Ltd.	London (GB)	100.00%
Admiral Financial Betting Ltd.	London (GB)	100.00%
Fortumat Spiel- und Automatenbetriebs GmbH	Bingen/Rhein (D)	100.00%
Novo Nevada Inc.	Nevada (USA)	100.00%
Novo Immobilien Verwaltungsgesellschaft m.b.H.	Bingen/Rhein (D)	100.00%
Novogaming Vilnius UAB	Vilnius (Litauen)	100.00%
NOVOMATIC Colorado Inc	Colorado (USA)	100.00%
NOVOMATIC Namibia Ltd.	Windhoek (Namibia)	100.00%
Arena Sportwetten GmbH in Liquidation	Feldkirch (AT)	100.00%
Futura Casinos d.o.o.	Zagreb (HR)	100.00%
Erba Fortunatus d.o.o.	Zagreb (HR)	100.00%
Mediteran Gaming d.o.o.	Zagreb (HR)	100.00%
Tatschl GmbH	Wien (AT)	100.00%
Eagle Investment Sh.A.	Tirana (AL)	100.00%
Adriatik Game Sh.A.	Tirana (AL)	100.00%

Notes on equity and the net profit/loss for the year were omitted with reference to section 241 (2) line 1 of the Austrian Commercial Code.

In accordance with section 249 (1) line 2 of the Austrian Commercial Code, Admiral Leisure World Ltd., Admira d.o.o., Igrotech-Import 000, Planeta Igr COO, Igrotechnika 000, Novotech 000 and Igrotech 000 were not fully consolidated, as the provision of necessary data for the preparation of the consolidated financial statements would have caused unreasonable delays and disproportionately high costs. Based on the available information these companies were accounted for at equity.

The following subsidiaries accounted for at equity were shown as shares in associated companies:

Name	Registered office	Capital share	Equity TEUR.	Net profit/loss for the year TEUR
SIM Spielbanken, Investitions- und Management GmbH	Frankfurt (D)	49.00%	46	2
SIM Spielbanken, Investitions-, Beteiligungs- und Management-GmbH & Co. KG	Frankfurt (D)	49.00%	7,385	637
Admiral Leisure World Ltd. (Subgroup)	Johannesburg (SA)	95.21%	-1,365	-654
H. Polanz GmbH	Graz (AT)	50.00%	1,434	547
OOO „United Gaming Industries”	Kaliningrad (RU)	50.00%	1,787	-232
Giochi San Marino S.p.a.	San Marino	26.54%	7,960	2,003
Estrada Polska Sp.z.o.o.	Opole (Poland)	25.56%	2,819	1,257
Casino Centrum Sp.z.o.o.	Lodz (Poland)	33.33%	499	-156

The first time adoption of equity accounting for one company resulted in a positive difference of EUR 217 thousand.

The parent company NOVOMATIC AG and the subsidiaries of NOVOMATIC AG hold investments in the following companies:

Name	Registered Office	Capital share
Sigert Verlag GmbH	Braunschweig (D)	27.90%
Spielbank Frankfurt Verwaltungs GmbH	Frankfurt (D)	16.66% <sup>1*</sup>
Spielbank Frankfurt GmbH & Co. KG	Frankfurt (D)	16.66% <sup>1*</sup>
Kurhessische Spielbank Kassel/Bad Wildungen Verwaltungs GmbH & Co. KG	Kassel (D)	49.00% <sup>2*</sup>
Kurhessische Spielbank Kassel/Bad Wildungen Verwaltungs GmbH	Kassel (D)	49.00% <sup>2*</sup>
Ostsee Spielbanken Verwaltungs GmbH	Stralsund (D)	24.99% <sup>3*</sup>
Ostsee Spielbanken GmbH & Co. KG	Stralsund (D)	24.99% <sup>3*</sup>
Filmotechnika GmbH	Lodz (Poland)	17.12% <sup>4*</sup>
Apuestas Deportivas Aragon S.A.	Aragon (Spain)	25.00% <sup>5*</sup>
Apuestas Deportivas Aragon S.L.	Aragon (Spain)	50.00% <sup>5*</sup>
Apuestas del Pais Vasco S.L.	Vasco (Spain)	17.50% <sup>7*</sup>
Atlantic Gastronomiebedarf GmbH	Graz (AT)	50.00% <sup>6*</sup>
Replay Spielautomaten Handels- und Betr. GmbH	Graz (AT)	37.50% <sup>6*</sup>

1) 34% investment in SIM Spielbanken Investitions- und Management GmbH & CO KG.

2) 100% subsidiary of SIM Spielbanken Investitions- und Management GmbH & CO KG.

3) 51% subsidiary of SIM Spielbanken Investitions- und Management GmbH & CO KG.

4) Investment in Techno Invest GmbH.

5) Investment in Admiral Sportwetten GmbH.

6) Subsidiary of H. Polanz GmbH.

7) Subsidiary of Apuestas Deportivas Aragon S.L.

Notes on equity and the net profit/loss for the year were omitted in accordance with section 241 (2) line 1 of the Austrian Commercial Code.

**c) Principles of Consolidation**

All fully consolidated companies prepared their own annual financial statements as of December 31, 2006. For the consolidation of investments of the NOVOMATIC Group, the book value method was applied. Thereby the equity of the subsidiaries at the date of first-time consolidation was offset against the relevant book value of the investment by the parent company.

Amounts were offset on the date on which subsidiaries were included for the first time, i.e. in case of acquisition at the end of the relevant year, and in the case of foundation at the point in time of foundation, whereby the company got fully consolidated status.

Companies which were subject to consolidation at first preparation of the consolidated financial statements of NOVOMATIC AG, were first consolidated on January 1, 1999.

All remaining positive and negative differences as a result of offsetting the equity of subsidiaries against the relevant book values of the investments held by the parent company at the date of first consolidation were offset in accordance with section 254 (3) of the Austrian Commercial Code.

All equity accounting was performed according to the book value method. The valuation of the investments and the differences are based on the valuations at the date of the first incorporation as an associated company in the consolidated financial statements. The methods of valuation of the associated company were not adapted to the corporate policy.

In the course of consolidation of intragroup balances, loans, trade receivables and other receivables are offset against the corresponding liabilities. All intragroup expenses and income, as far as they concern the expenses and income of fully consolidated companies, were eliminated in the first consolidation of income and expenses. Under consideration of the principle of materiality, interim results from the sale of inventories and assets to other Group companies were eliminated and recognized in income.

#### **d) Currency Translation**

The currency of the Group is the Euro. The financial statements of foreign subsidiaries were converted into Euro using the modified closing rate method, at the middle rate. The balance sheet items were converted at the closing rate and those of the profit and loss statement at the annual average middle rate for 2006. Deviations between assets and income conversions were adjusted with effect on the profit and loss statement.

The presentation of the equity at the historic rate at the date of first-time consolidation was adjusted via the adjustment item for currency translation.

## **2. Consolidated Balance Sheet Disclosures**

### **a) General**

Continuing the allocation of assets and liability items according to Group instructions, minor changes were made to the classification of some items, as compared to the balance sheet of the previous year, although the balance sheet was not materially affected compared with the previous year.

### **b) Fixed Assets**

Intangible and tangible assets were valued at cost less straight-line depreciation and amortization. For internally-generated assets, proportional overheads for material and production were added to the directly attributable costs.

Amortization and depreciation rates follow the useful life of the relevant asset item, which was estimated at between 25 and 50 years for buildings and between 10% and 33% for the remaining tangible assets.

Financial assets were valued at cost.

An extraordinary depreciation of investments is being applied in case of:

- Persistent deterioration of earnings
- Necessity of support activities by shareholders
- Deficient means and measures upon acquisition
- Restructuring activities that do not materialize into substantial profits in the near future
- Losses that can no longer be removed by means of the affiliated company

Long-term securities were valued at the lower of cost or quoted market price on the balance sheet date.

The development of fixed assets is presented at the end of the Notes to the Consolidated Financial Statements.

**Composition of Individual Items:**

## Intangible Assets

The intangible assets of EUR 18,610 thousand essentially include rental rights and software of approximately EUR 18,540 thousand. Software of own production, goodwill and product know-how were eliminated in the amount of approximately EUR 6,981 thousand (compared to approximately EUR 4,181 thousand in the previous year) in the course of elimination of intercompany profits and losses.

Goodwill of approximately EUR 56 thousand was amortized in line with the Group instructions.

Furthermore, down payments regarding software for various equipment and programs in the amount of approximately EUR 15 thousand are included in this item.

## Tangible Assets

Tangible assets of approximately EUR 89,580 thousand (PY: approximately EUR 62,145 thousand) include land, buildings, buildings on third-party land and tenant's investments. Furthermore, tangible assets contain technical equipment and machinery (essentially money gaming machines) of approximately EUR 95,735 thousand (PY: approximately EUR 46,091 thousand), factory and office equipment of approximately EUR 33,127 thousand (PY: approximately EUR 22,660 thousand) and assets under construction of approximately EUR 9,865 thousand (PY: approximately EUR 7,351 thousand). The value of the Group's properties amounts to approximately EUR 13,072 thousand. Intercompany profits and losses in the total amount of approximately EUR 43,735 thousand (PY: approximately EUR 21,966 thousand) were eliminated as of December 31, 2006.

## Financial Assets

Financial assets amounting to approximately EUR 11,404 thousand (PY: approximately EUR 467 thousand) related to non-consolidated affiliated companies. They include further shares in associated companies amounting to approximately EUR 9,221 thousand (PY: approximately EUR 7,018 thousand) that were accounted for at equity. In addition there are other investments in the amount of approximately EUR 875 thousand as well as long-term securities of approximately EUR 6,596 thousand. Furthermore, the fixed assets contain other loans with a book value of approximately EUR 3,688 thousand (PY: approximately EUR 3,462 thousand). These long-term capital claims concern profit-related loans to be paid off by casino operators in the Federal Republic of Germany. The valuation allowance as of December 31, 2006 amounted to EUR 769 thousand (PY: EUR 793 thousand).

**c) Current Assets**

Inventories

Inventories were valued at cost while considering the lower of cost or market principle. When computing the manufacturing costs of semi-finished and finished products, directly attributable costs and proportional overhead costs for production and material logistics were included. In case of a lower market value, a write-down was charged. Write-downs were recognized for old dated drawing of material from stock (non-moving items), an above-average range of coverage of material stocks and lower purchase prices at the balance sheet date.

Receivables and Other Assets

Receivables and other assets were presented at their face value. In case of identifiable individual risks, the probably recoverable amount was applied.

The following table shows the breakdown of the individual receivables by maturity. All receivables are due within 5 years:

	<b>31.12.2006</b>			<b>31.12.2005</b>		
	Total	Due within 1 year	Due after more than 1 year	Total	Due within 1 year	Due after more than 1 year
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
1. Trade receivables	66,376	65,899	477	76,760	76,734	26
2. Receivables from affiliated companies	13,532	13,532	0	976	976	0
3. Receivables from associated companies	354	354	0	975	975	0
4. Other receivables and assets	28,043	25,014	3,029	29,634	27,007	2,627
<b>Total</b>	<b>108,305</b>	<b>104,799</b>	<b>3,506</b>	<b>108,345</b>	<b>105,692</b>	<b>2,653</b>

Long-term receivables were discounted at a refinancing rate of 6%. Considering the general credit risks a lump sum valuation allowance of 2% was established for all outstanding and non-secured net-receivables. In the financial statements, this valuation allowance amounted to approximately EUR 553 thousand (PY: EUR 738 thousand).

EUR 11,701 thousand of the receivables from affiliated companies (EUR 13,532 thousand) related to trade receivables.

EUR 278 thousand of the receivables from associated companies (EUR 354 thousand) related to trade receivables.

#### **Prepaid Expenses**

Deferred tax assets of approximately EUR 16,732 thousand (PY: EUR 9,829 thousand) were recognized as prepaid expenses.

#### **d) Equity**

In accordance with section 253 of the Austrian Commercial Code, consolidated equity was presented including the untaxed reserves disclosed in the individual financial statements of all consolidated entities. Positive and negative differences were offset directly against the reserves, as these are based in profit or loss carryforwards generated in previous years.

The capital consolidation resulted in positive differences of EUR 42,566 thousand and negative differences of EUR 13,291 thousand, which result in a positive difference of EUR 29,275 thousand when netted against each other. The capital consolidation for the first-time fully-consolidated subsidiaries led to a positive difference of EUR 1,723 thousand. Changes in shares in existing subsidiaries led to a further positive difference of EUR 3,587 thousand and a negative difference of EUR 21 thousand respectively.

The at equity valuation resulted in positive differences of EUR 2,220 thousand and negative differences of EUR 167 thousand, which resulted in a positive difference of EUR 2,053 thousand when netted against each other.

<b>Positive differences</b>	<b>in EUR thousand</b>
Austrian Gaming Industries GmbH	401
HTM Hotel und Tourismus Management GmbH	976
Gastronomie- u. Unterhaltungselektronik Betriebs GmbH	1,538
NOVOMATIC Casino- und Automatentechnik GmbH	387
Admiral Sportwetten GmbH	23,955
Admiral Sports Betting (UK) Ltd.	380
AS Novoloto	71
NOVO Poland Sp.z.o.o.	164
Sportwetten Pirker GmbH	1,619
AGI Hungaria Kft.	778
AGI American Games Kft.	4
Alfor SIA	541
Novo Gaming d.o.o.	197
Admiral International Casinos d.o.o.	935
Erba d.o.o.	35
SC Intertop srl.	533
Novo Immobilien GmbH & Co. KG	1,454
Novo Gaming UK Ltd.	224
Astra Games Holding Ltd. (Subgroup)	4,771
HTL Ukraine LCC	9
Extra Games Entertainment GmbH	1,812
Treuhandgesellschaft	59
Algast Gastronomie GmbH	240
ALS Group OOO	1,262
ALS OOO	50
UAB Azarto technika	171
	<b>42,566</b>

<b>Negative differences</b>	<b>in EUR thousand</b>
„G.A.M.E. SYS“ Geldspiel – Automaten – Miet-Elektronik – System Gesellschaft mbH	4
J + C Schaaf Spielautomatenbetriebs Ges.m.b.H	10
Wett Café Betriebsgesellschaft m.b.H.	313
A.B.S. SA	7
NSM-Löwen Entertainment GmbH	12,215
HT Management d.o.o.	721
Techno Invest Sp.z.o.o.	21
	13,291

#### e) Other Liabilities

Applying the principle of prudence, all identifiable risks and uncertain liabilities in terms of amount or origin were taken into account in the accruals set up according to reasonable commercial judgment.

#### Accruals for Severance Payments

The accruals for severance payments of the Austrian group companies (except for one company) were computed in line with financial mathematic principles based on a discount rate of 3.5%, assuming a retirement age of 60 for female employees and 65 for male employees. Deductions based on fluctuations were not considered.

#### Accruals for Pensions

Pension accruals were calculated in line with actuarial principles using an interest rate of 4.5% and 5% respectively, taking adjustments of values into account.

#### Tax and Other Accruals

The tax accruals primarily include accruals for corporate income tax amounting to approximately EUR 16,468 thousand (PY: approximately EUR 17,488 thousand) and accruals for deferred taxes of approximately EUR 640 thousand (PY: approximately EUR 562 thousand). Other accruals in the amount of approximately EUR 24,372 thousand (PY: approximately EUR 32,741 thousand) take into account all assessable risks and uncertain liabilities following the principle of prudence. These consist of restructuring work of approximately EUR 80 thousand, legal, auditing and consulting fees of about EUR 1,035 thousand, impending losses of approximately EUR 105 thousand, outstanding purchase invoices of approximately EUR 1,403 thousand, jubilee accruals of approximately EUR 1,356 thousand, other personnel accruals (e.g. holiday pay, employee bonuses, time credits) of approximately EUR 12,821 thousand, selling accruals (e.g. guarantees, rebates and customer bonuses and an obligation to take back equipment) of approximately EUR 5,212 thousand and miscellaneous other accruals of approximately EUR 2,360 thousand.

Liabilities

Liabilities were valued at their redemption amount on the balance sheet date. Any increases as a result of foreign currency rate changes were taken into account at the higher of cost or market principle.

The following table shows a breakdown of the individual liabilities by maturity:

	31.12.2006				31.12.2005			
	Due within	Due after more	Due after more		Due within	Due after more	Due after more	
	Total	1 year	than 1 year	than 5 years	Total	1 year	than 1 year	than 5 years
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
1. Bonds	150,000	0	0	150,000	150,000	0	0	150,000
2. Due to banks	32,272	14,395	15,686	2,191	35,655	12,048	18,119	5,488
3. Advances received								
from customers	2,214	2,214	0	0	2,196	2,196	0	0
4. Trade payables	21,981	21,972	9	0	18,140	18,378	32	0
5. Payables to affiliated								
companies	194	194	0	0	157	157	0	0
6. Payables to associated								
companies	0	0	0	0	37	37	0	0
7. Other liabilities	52,432	49,209	3,223	0	39,887	37,741	1,923	223
Total	259,093	87,984	18,918	152,191	246,342	70,557	20,074	155,711

Details of Collateral Securities:

Type of collateral securities	Reg. number	Land register	Pledged amount EUR	Total amount of liabilities for collateral securities EUR
Maximum-sum mortgage	3184	Gumpoldskirchen	3,000,000.00	2,620,086.28
Loan mortgage	601	Wilten BG Innsbruck	689,000.00	461,876.48

Other Financial Obligations

The lease obligations and obligations from the Group's rental contracts amount to approximately EUR 15,706 thousand (PY: EUR 12,942 thousand) for the next year and to approximately EUR 70,707 thousand (PY: EUR 60,125 thousand) for the next five years.

Contingent Liabilities

Contingent liabilities to third parties show a total of EUR 1,253 thousand (PY: EUR 1,416 thousand). These mainly relate to a bank guarantee against Bank Austria Creditanstalt AG for Mega Games S.r.l., Bozen in favour of Atlantis World Group of Companies N.V., Netherlands.

### 3. Consolidated Profit and Loss Statement Disclosures

a) General

For the profit and loss statement the total expenditure format was applied. Individual items were reclassified to better follow the Group instructions. Overall, the presentation of the profit and loss statement changed only marginally compared with the previous year.

b) Sales

<b>Breakdown by type of sales</b>	2006 EUR million	2005 EUR million
Income from machines and related sales as well as other sales	317.6	222.5
Sales of products and merchandise	228.3	274.9
Income from gastronomy	12.5	7.7
Betting sales	192.3	140.4
<b>Total</b>	<b>750.7</b>	<b>645.5</b>

c) Extraordinary Result:

The extraordinary result disclosed in the consolidated profit and loss statement related to NSM-Löwen Entertainment GmbH and was composed as follows:

	2006 TEUR	2005 TEUR
Extraordinary income		
VAT refund	3,616	7,000
Release of accruals	2,505	0
	6,121	7,000
Extraordinary expenses:		
Debtor warrant	0	8,866
Restructuring: personnel	1,006	1,558
Other restructuring expenses	1,358	1,377
<b>Total</b>	<b>2,364</b>	<b>11,801</b>

d) Taxes on Income and Earnings

Taxes on income and earnings amounting to EUR 40,387 thousand related to the current financial year (PY: EUR 33,733 thousand) less deferred taxes of approximately EUR 6,824 thousand (PY: EUR 5,970 thousand).

In the course of consolidation approximately EUR 140.7 million (PY: EUR 113.5 million) of intragroup sales were eliminated in the consolidated profit and loss statement.

4. Other Disclosures

a) Average Number of Employees per Year

	2006	2005
Blue collar workers	2,136	1,584
Salaried employees	2,234	1,913
<b>Total</b>	<b>4,370</b>	<b>3,497</b>

b) Details on the Management of the Parent Company

The members of the board of management during the financial year 2006 and until the date of the audit were:

Dr. Franz Wohlfahrt, Chairman  
 DI Ryszard Presch, Deputy Chairman  
 Mag. Peter Stein, Member

The following were members of the company's Supervisory Board:

KR Herbert Lugmayr, Chairman  
 Dr. Gernot Hain, Deputy Chairman  
 Helmut Jell, Member  
 Mag. Karl Schlögl, Member

c) Details of Financial Instruments

Regarding the issuance of the bond in October 2005, an interest rate swap was concluded in August 2005 with a nominal value of EUR 150 million and a maturity date of October 11, 2012 to secure this level of interest over the maturity of the bond. The effective interest rate of the bond amounts to approximately 4%. The present value including interest was calculated at EUR 2,005 thousand at the expense of the Company as of December 31, 2006.

To hedge the risk of variable interest rates another interest rate swap with a nominal value of EUR 30 million and a maturity date of October 11, 2012 was concluded in 2006. As a result the present value including interest amounts to EUR 788 thousand as per December 31, 2006 at our expense.

Furthermore, a swaption for variable interests was concluded on October 9, 2006. The Swaption amounts to EUR 828 thousand at our expense at balance sheet date and is shown under the accruals.

The market value corresponds to the value, which would have to be paid or received upon reversal of the transaction at the balance sheet date. Past cash flows (interest payments) remain unconsidered. Future cash flows from variable payments as well as discount rates are calculated on the basis of generally accepted financial mathematic models.

d) Board of Management Remuneration and Meeting Attendance Fees of the Supervisory Board

In the financial year 2006, the members of the Board of Management received gross salaries amounting to EUR 1,780 thousand. Advances, loans and liabilities for the Board of Management members were not granted.

The remuneration of the Supervisory Board members amounted to EUR 22 thousand.

Accruals in the amount of EUR 89 thousand were allocated for the fictitious severance claims of the board of management and executive employees.

For members of the Board of Management and executive employees, accruals for current and potential pensions of EUR 221 thousand (PY: EUR 346 thousand) were recognized as of December 31, 2006.

e) Particular Information for Shareholding Companies

The share capital of EUR 26,000,000.00 is divided between the following bearer shares:

Number of shares	Nominal amount per share EUR	Total nominal share value EUR
18	1,000,000	18,000,000
68	100,000	6,800,000
120	10,000	1,200,000
		<b>26,000,000</b>

Gumpoldskirchen, 6 June 2007

NOVOMATIC AG

**Dr. Franz Wohlfahrt**  
Chairman of the Board  
of Directors

**DI Ryszard Presch**  
Deputy Chairman  
of the Board of Directors

**Mag. Peter Stein**  
Member of the Board  
of Directors

## Audit Opinion

We have audited the consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from January 1, 2006 to December 31, 2006. The company's management is responsible for the preparation and the content of the consolidated financial statements and for the preparation of the management report for the Group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the Group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement and the management report for the Group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the Group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and disclosures in the consolidated financial statements, predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements of NOVOMATIC AG are in accordance with legal requirements and present fairly, in all material respects the financial position of the Group as of December 31, 2006 and of the results of its operations and its cash flows for the fiscal year from January 1, 2006 to December 31, 2006 in accordance with Austrian generally accepted accounting principles. The management report for the Group is in accordance with the consolidated financial statements.

Vienna, June 6, 2007

Deloitte  
Wirtschaftsprüfungs GmbH

Dr. Michael Heller m.p.

ppa. Mag. Andrea Kraus m.p.

Austrian Certified Public Accountants

# Financial Statements

## NOVOMATIC AG

# Balance Sheet

as of December 31, 2006

	31.12.2006	31.12.2005
Assets	EUR	TEUR
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Licenses and similar rights	14,160,394.35	6,898
<b>II. Tangible assets</b>		
1. Land, buildings and improvements in third-party buildings	34,641,190.74	27,712
2. Plants and machinery	180,455.29	0
3. Factory and office equipment	795,657.37	541
4. Tangible assets in course of construction	872,006.70	381
	<b>36,489,310.10</b>	
<b>III. Financial assets</b>		
1. Shares in affiliated companies	131,318,348.66	125,867
2. Loans to affiliated companies	15,727,101.89	11,646
3. Investments	3,263,607.00	3,287
4. Securities held as fixed assets	5,868,291.26	1,705
5. Other loans	3,613,343.99	3,462
	<b>159,790,692.80</b>	
	<b>210,440,397.25</b>	<b>181,499</b>
<b>B. Current assets</b>		
<b>I. Receivable and other assets</b>		
1. Trade receivables	265,174.61	230
2. Receivables from affiliated companies	71,806,100.80	58,329
3. Receivables from associated companies	0.00	41
4. Other receivables and assets	3,001,365.60	8,423
	<b>75,072,641.01</b>	
<b>II. Securities and shares</b>		
Other securities and shares	<b>1,499,927.96</b>	0
<b>III. Cash, bank deposits</b>	<b>12,293,047.36</b>	<b>22,459</b>
	<b>88,865,616.33</b>	<b>89,482</b>
<b>C. Prepaid expenses</b>	<b>1,077,185.95</b>	<b>880</b>
	<b>300,383,199.53</b>	<b>271,861</b>

	31.12.2006	31.12.2005
Equity and Liabilities	EUR	TEUR
<b>A. Equity</b>		
<b>I. Share capital</b>	26,000,000.00	26,000
<b>II. Capital reserves (tied up)</b>	976,371.00	976
<b>III. Profit reserves legal reserves</b>	1,623,629.00	1,624
<b>IV. Retained profits</b> (thereof profit carried forward EUR 43,962,616.80 prior year: TEUR 8,438)	86,674,368.16	73,963
	<b>115,274,368.16</b>	<b>102,563</b>
<b>B. Untaxed reserves</b>		
Valuation reserve from special depreciation allowances	172,055.43	183
<b>C. Accruals</b>		
1. Accruals for severance payment	210,849.86	141
2. Pension accruals	445,319.00	218
3. Other accruals	1,145,343.58	278
	<b>1,801,512.44</b>	<b>637</b>
<b>D. Liabilities</b>		
1. Bonds	150,000,000.00	150,000
2. Due to banks	8,251,875.15	9,764
3. Trade payables	1,498,566.19	1,280
4. Payables to affiliated companies	363,869.86	2,942
5. Other liabilities		
a) There of taxes	2,386,278.36	45
b) Thereof social security	27,632.67	17
c) Other	20,607,041.27	4,430
	<b>23,020,952.30</b>	
	<b>183,135,263.50</b>	<b>168,478</b>
	<b>300,383,199.53</b>	<b>271,861</b>
<b>Contingent liabilities</b>	<b>17,197,002.97</b>	<b>9,274</b>

# Profit and Loss Account

for the period from January 1, 2006 to December 31, 2006

	2006 EUR	2005 TEUR
1. Sales	23,733,355.88	17,045
2. Other operating income		
a) Gains from disposal of fixed assets excluding financial assets	0.00	187
b) Income from dissolution of accruals	5,856.37	0
c) Other	579,581.32	352
	<b>585,437.69</b>	
3. Personnel expenses		
a) Salaries	-1,480,666.74	-928
b) Expenses for severance payments and contributions to the company's severance payments scheme	-79,148.94	-58
c) Pension expenses	-227,693.00	-218
d) Cost of statutory social security, payroll-related taxes and mandatory contributions	-282,107.94	-194
e) Other social expenses	-26,489.53	-6
	<b>-2,096,106.15</b>	
4. Amortization of intangible assets and depreciation of tangible assets	-5,079,838.56	-3,898
5. Other operating expenses		
a) Taxes not included in line 15	-169,188.72	-89
b) Other	-10,076,858.12	-9,986
	<b>-10,246,046.84</b>	
<b>6. Operating income</b> (subtotal of lines 1 to 5)	<b>6,896,802.02</b>	<b>2,207</b>
7. Investment income (thereof from affiliated companies: EUR 41,500,000.00; prior year: TEUR 65,003)	41,622,623.97	65,044
8. Income from other investments and long term loans (thereof from affiliated companies: EUR 1,167,261.34; prior year: TEUR 105)	1,406,673.36	368

		2006	2005
		EUR	TEUR
9.	Other interest and similar income (thereof from affiliated companies: EUR 1,834,440.89; prior year TEUR 429)	2,419,387.44	743
10.	Gain from disposal of and appreciation to financial assets	388,612.78	15
11.	Expenses from financial assets (thereof depreciation EUR 2,042,660.93; prior year TEUR 4)	-2,042,660.93	-148
12.	Interest and similiar expenses (thereof from affiliated companies: EUR 12,379.20 prior year: TEUR 123)	-7,434,762.20	-1,934
<b>13.</b>	<b>Financial results</b> (subtotal of lines 7 to 12)	<b>36,359,874.42</b>	<b>64,088</b>
<b>14.</b>	<b>Results from ordinary activities</b>	<b>43,256,676.44</b>	<b>66,295</b>
15.	Taxes on income	-556,523.58	-355
<b>16.</b>	<b>Net income for the year</b>	<b>42,700,152.86</b>	<b>65,940</b>
17.	Dissolution of untaxed reserves Evaluation reserve from special depreciation allowances	14,183.81	12
18.	Allocation to untaxed reserves Evaluation reserve from special depreciaton allowances	-2,585.31	-27
19.	Allocation to profit reserves – legal reserves	0.00	-400
<b>20.</b>	<b>Net profit for the year</b>	<b>42,711,751.36</b>	<b>65,525</b>
21.	Profits carried forward from previous year	43,962,616.80	8,438
<b>22.</b>	<b>Retained profits</b>	<b>86,674,368.16</b>	<b>73,963</b>

## Auditor's Report

We have audited the financial statements, including the accounting records of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from January 1 to December 31, 2006. The company's management is responsible for the preparation and content of the financial statements and the accounting records and the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement and the management report is in accordance with the financial statements. In determining audit procedures we considered our knowledge of the business, the economic and legal environment of the company as well as the expected occurrence of errors. The audit involves procedures to obtain evidence about amounts and disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 are in accordance with legal requirements and present fairly, in all material respects the financial position of the NOVOMATIC AG as of December 31, 2006 and of the results of its operations and its cash flows for the fiscal year from January 1 to December 31, 2006, in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, June 6, 2007

Deloitte Wirtschaftsprüfungs GmbH

Dr. Michael Heller m.p.

ppa. Mag. Andrea Kraus m.p.

Austrian Certified Public Accountants

# Report of the Supervisory Board of NOVOMATIC AG

for the financial year 2006

In its meetings held during the course of the financial year 2006, the Supervisory Board was regularly informed by the Board of Directors on the business policy and dealt thoroughly with the course of the business and the position of the company.

The annual financial statements as at 31 December 2006 and the Management Report of the Board of Directors, to the extent that it explains the annual financial statements, have been examined under consideration of the accounting by Deloitte Wirtschaftsprüfungs GmbH, which was appointed as the auditor by the Annual General Meeting and has been issued with 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 Board of Directors regarding use of the net profits from 2006. The annual financial statements drawn up by the Board of Directors were approved by the Supervisory Board and thus adopted in accordance with the Aktiengesetz (AktG – Austrian Public Companies Act).

The Supervisory Board acknowledges and thanks the Board of Directors and all employees of NOVOMATIC AG's companies for the work in the financial year 2006.

Gumpoldskirchen, June 2007

The Supervisory Board



**KR Herbert Lugmayr**

Chairman

This English translation of the financial statements for the year ended 31 December 2006 was prepared for the company's convenience only. It is not a binding legal translation of the German financial statements for the year ended 31 December 2006. In case of differences between the English and the German versions the latter shall prevail.

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