



Interim Financial Report 2008 NOVOMATIC AG

Key Figures of NOVOMATIC AG (Group)

All figures in million EUR (except *)	01 – 06 2008	01 – 06 2007	Change	
Sales revenue	625.1	446.9	178.2	39.9%
EBITDA	244.1	136.8	107.3	78.4%
Operating income (EBIT)	186.4	100.0	86.4	86.4%
Consolidated operating income after taxes	128.3	66.1	62.2	94.1%
EBITDA margin (EBITDA/sales)*	39.0%	30.6%		

All figures in million EUR (except *)	June 30, 2008	Dec. 31, 2007	Change	
Total assets	1,155.7	917.9	237.8	25.9%
Equity	532.5	434.2	98.3	22.6%
Average number of employees during the year*	7,598	6,210	1,388	22.4%

This report is about Novomatic AG only and does not include the results of the affiliated groups of companies ACE Casino Holding AG and C.S.C. Casino Systems Holding AG.

Management Report

for the Interim Financial Report 2008
of NOVOMATIC AG, Gumpoldskirchen

Overall Corporate Development of NOVOMATIC

General Economic Situation

Although overall economic conditions have become increasingly difficult in the first half of 2008, Novomatic was able to successfully continue its positive corporate development.

First and foremost, economic conditions at large were characterized by generally high rates of inflation as a consequence of soaring raw material prices. This trend has affected the available income of the populations in Group target markets. Additionally, overall conditions with regard to regulatory policies in individual markets, a vital factor for the gaming market, have become more difficult, for example due to the introduction of smoking bans.

Despite a challenging market environment, the Novomatic Group was able to maintain the expansion course it has consistently pursued for many years and continued to achieve substantial gains thanks to a robust organic growth concerning both turnover and income. In this respect, Novomatic benefits from its dual strategy and the synergies produced by manufacturing high-tech gaming equipment while at the same time owning gaming establishments and betting shops as well.

Novomatic also continued to emphasize investment activities in the first half of 2008.

Sales and Rentals

Innovative products from Novomatic are still in great demand in casinos and electronic gaming establishments all over the world. After presenting a number of innovations at the International Casino Exhibition 08 (ICE) in London, Novomatic continued its brisk development of new gaming machines and gaming systems in the course of the first six months of the 2008 fiscal year.

As a result, the sales and rentals segment benefits from a continued dynamic growth. In many countries, particularly in Germany, the Group was successful in significantly improving its market position by placing an increased emphasis on its rental strategy.

Gaming Establishments

Novomatic has continued its vigorous investment activities regarding the establishment of gaming operations in the first half year of 2008, involving substantial European investments with a special focus on Germany and Central and Eastern Europe. The German subsidiary Extra-Games Entertainment GmbH, for example, was able to substantially boost its number of sites, and the number of gaming establishments in Croatia has risen as well. There were also significant increases in Romania and Albania. Furthermore, the market position in Latin America, specifically Peru, was enhanced. A large resort and casino near Santiago is already in its preparatory stage and is scheduled to open in the second half of 2008.

All in all, the total number of Novomatic gaming establishments has increased. Gaming establishment turnover grew as well; in addition to the augmented rental inventory, it remains an important mainstay of the Group's sustained income.

Betting Shops

The network of betting outlets in Austria continued to expand. Since the beginning of this year, Admiral Sportwetten GmbH, a wholly owned subsidiary of Novomatic AG, has been able to strengthen its position as Austria's leading betting operator with the largest numbers of branch establishments. The Group also continued to expand its presence in Romania.

Financial Performance Indicators

Financial Situation

From the current business activities during the first six months of 2008, a cash inflow of EUR 146.0 million was generated throughout the Group, including changes in net working capital.

Cash outflows due to the Group's investment activities amounted to EUR 147.1 million during the first half of 2008, with the most important causes involving investments in tangible fixed assets. Cash outflow from financing activities accounted for EUR 8.9 million during the first half year of 2008.

In keeping with the growth strategy adopted by Novomatic, substantial investments in our own gaming establishments were made while also gradually stepping up the number of leased-out gaming machines.

Profit Situation

Sales revenue amounted to EUR 625.1 million in the first half of 2008 (first half of 2007: EUR 446.9 million), with EUR 419.0 million coming from sales and rentals, EUR 207.4 million from gaming establishments, and EUR 97.6 million from the betting shops segment.

The cost of sales amounted to EUR 286.9 million, compared to EUR 210.1 million in the first half of 2007. Personnel expenses were EUR 100.5 million during the first six months of 2008. Other operating expenses accounted for EUR 165.0 million (first half of 2007: EUR 110.3 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) thus amounted to EUR 244.1 million compared to EUR 136.8 million in the first six months of 2007.

Results from ordinary business activities amounted to EUR 182.0 million, compared to EUR 96.6 million in first half of 2007. After the deduction of taxes on income to the amount of EUR 49.9 million, the Group achieved a consolidated operating income of EUR 132.1 million.

Significant Events after the Balance Sheet Date

After the balance sheet date, the Group acquired a 100% interest in an important operator of electronic gaming machine casinos in Latvia, thus continuing to expand its position on this crucial market.

Shares in an Italian electronic gaming machine casino operator were acquired to promote the Group's expansion in this market.

Risk Report

There were no substantial changes in business risk during the first half of 2008 as compared to 2007.

As far as the sales and rental area is concerned, main risks involve possible failed technological developments which Novomatic is continuously striving to prevent by means of a persisting strong emphasis on research and development activities.

With regard to gaming and betting establishment risks, Novomatic is primarily dependent on maintaining and preserving gaming concessions and operational licenses. Novomatic counters these risks by strict compliance with statutory regulations and the principles of a supreme degree of responsibility and integrity in all business transactions.

Consolidated Balance Sheet

as of June 30, 2008

	Notes	30.06.2008 Thd. EUR	31.12.2007 Thd. EUR
ASSETS			
Long-term assets			
Intangible assets		48,033	45,098
Tangible Assets and real property held as financial investments	(1)	507,554	413,723
Interests in associated companies		11,618	11,040
Financial assets		23,036	22,668
Active tax accruals		27,053	23,176
Other long-term assets		9,072	7,454
		626,366	523,159
Short-term assets			
Inventories	(2)	149,131	91,424
Short-term receivables and other short-term assets	(3)	195,412	124,513
Profit tax receivables		2,559	1,956
Short-term financial assets		25,911	9,925
Cash in hand and short-term financial capital		156,275	166,891
		529,288	394,709
Total ASSETS		1,155,654	917,868
EQUITY AND LIABILITIES			
Equity			
Share capital		26,000	26,000
Capital reserves		976	976
Profit reserves		475,145	377,774
Revaluation reserves according to IAS 39		675	675
Adjustment item for currency translation		-4,441	-3,809
		498,355	401,616
Minority interests		34,096	32,585
		532,451	434,201
Long-term liabilities			
Long-term financial payables	(4)	186,095	183,622
Long-term provisions		19,681	19,144
Deferred tax		7,500	7,628
Other long-term liabilities		29,647	7,879
		242,923	218,273
Short-term liabilities			
Short-term financial payables		104,542	73,433
Short-term provisions		41,350	26,920
Tax payables		71,716	42,363
Accounts payable trade and other liabilities	(5)	162,672	122,678
		380,280	265,394
Total EQUITY AND LIABILITIES		1,155,654	917,868

Consolidated Profit and Loss Account

for the first six months as per June 30, 2008

	Notes	01 – 06 / 2008 Thd. EUR	01 – 06 / 2007* Thd. EUR
Sales revenue	(6)	625,076	446,897
Increase / decrease of inventory of finished and unfinished goods		58,994	1,567
Own work capitalized		94,242	81,312
Other operating income		18,197	6,993
Cost of materials and production-related services purchased		-286,879	-210,064
Personnel expenses		-100,518	-79,551
Amortization of intangible and tangible assets		-57,675	-36,867
Other operating expenses		-165,040	-110,309
Operating income		186,397	99,978
Share of income from associated companies		0	313
Financial income		3,204	2,387
Financial expenses		-7,589	-6,118
Financial result		-4,385	-3,418
Earnings before taxes		182,012	96,560
Tax expenses		-49,914	-23,375
Profit after tax		132,098	73,185
Minority interests included in Profit after Tax		3,814	7,051
Share of parent company shareholders (consolidated operating income)		128,284	66,134

Cash Flow Statement

	Notes	01 – 06 / 2008 Thd. EUR	01 – 06 / 2007 Thd. EUR
Net cash flow from operating activities		145,958	127,738
Net cash flow from investment activities		-147,070	-114,925
Net cash flow from financing activities		-8,872	-22,976
Adjustments from currency translation		-632	475
Changes in net funds		-10,616	-9,688
Net funds at the beginning of the period		166,891	120,970
Net funds at the end of the period		156,275	111,282
Changes in net funds		-10,616	-9,688

*) Figures differing from previous year, see 'Underlying Policies and Methodology' section in Appendix for explanations

Equity Movements

	Interests of Novomatic AG Owners					Minority Interests	Equity
	Share Capital	Capital Reserves	Profit Reserves	Revaluation reserves according to IAS 39	Adjustment item for currency translation		
All figures in Thd. EUR							
As of January 1, 2008	26,000	976	377,774	675	-3,809	401,616	434,201
1) Ordinary capital increase						0	
2) Dividends			-30,000			-30,000	-33,659
3) Adjustments from currency translation						-632	-1,016
4) Reporting period result							
a) Items directly accounted for at equity							
Reserves for interest rate hedges							
Reserves for securities							
b) Annual surplus			128,284			128,284	132,098
Reporting period result in total	0	0	128,284	0	0	128,284	132,098
5) Minority interest increases / decreases			-374			-374	1,312
6) Change of scope of consolidation			-539			-539	-485
As of June 30, 2008	26,000	976	475,145	675	-4,441	498,355	532,451
Interests of Novomatic AG Owners							
All figures in Thd. EUR							
As of January 1, 2007	26,000	976	239,998	2,573	-1,279	268,268	286,128
1) Ordinary capital increase						0	
2) Dividends			-30,000			-30,000	-31,250
3) Adjustments from currency translation						-2,530	-2,575
4) Reporting period result							
a) Items directly accounted for at equity							
Reserves for interest rate hedges							
Reserves for securities				-1,898		-1,898	-1,898
b) Annual surplus			169,493			169,493	182,694
Reporting period result in total	0	0	169,493	-1,898	0	167,595	180,796
5) Minority interest increases / decreases			-1,717			-1,717	1,102
6) Change of scope of consolidation							
As of December 31, 2007	26,000	976	377,774	675	-3,809	401,616	434,201
Interests of Novomatic AG Owners							
All figures in Thd. EUR							
As of January 1, 2007	26,000	976	239,998	2,573	-1,279	268,268	286,128
1) Ordinary capital increase						0	
2) Dividends			-30,000			-30,000	-31,250
3) Adjustments from currency translation						-2,530	-2,575
4) Reporting period result							
a) Items directly accounted for at equity							
Reserves for interest rate hedges							
Reserves for securities				-1,898		-1,898	-1,898
b) Annual surplus			169,493			169,493	182,694
Reporting period result in total	0	0	169,493	-1,898	0	167,595	180,796
5) Minority interest increases / decreases			-1,717			-1,717	1,102
6) Change of scope of consolidation							
As of December 31, 2007	26,000	976	377,774	675	-3,809	401,616	434,201

Appendix

to the Interim Financial Report 2008 of
NOVOMATIC AG, Gumpoldskirchen

General

Novomatic AG, with its headquarters in Gumpoldskirchen/Austria, is one of the largest integrated gaming groups of companies in the world. With its various divisions, the Novomatic AG Group covers the entire product range of the gaming market as a manufacturer – developing, producing and distributing high-tech gaming equipment and innovative system solutions.

Mandatory Reviewer Information

This abridged Interim Financial Report as well as the Interim Consolidated Management Report were neither audited nor submitted to an independent auditor for review.

Underlying Policies and Methodology

This Interim Financial Report of Novomatic AG and its subsidiaries as per June 30, 2008 was prepared in conformity with the IAS 34 rules for Interim Financial Reporting. The account balancing and valuation methods employed are in accordance with the rules of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the application of which has become mandatory throughout the European Union.

There were no changes in the account balancing, valuation, and calculation methods used in the reporting period comprising the first half of 2008 as compared to the 2007 Annual Financial Statement.

In the course of the preparation of the Financial Statement dated December 31, 2007, the implementation of IFRS 1 was reviewed, resulting in retrospective changes not included in the Interim Financial Statement as per June 30, 2007 and an increased consolidated operating income to the amount of Thd. EUR 290.

While preparing this Interim Financial Report, the comparative figures of the previous year were corrected accordingly, differing from the figures contained in Financial Statement dated June 30, 2007 published last year.

For more detailed information regarding the balancing and valuation methods employed, please refer to the Novomatic Consolidated Financial Statement dated December 31, 2007.

In the course of the preparation of the Financial Statement, certain estimates and assumptions were made which may have an effect on the amount of assets and liabilities as well as on the amount of revenues and costs within the reporting period. The estimates and assumptions were made using the utmost care and diligence but may differ from the actual situation.

This Interim Financial Report has been prepared in Euros. Except where indicated, the figures shown in the tables and the corresponding notes are quoted in thousand EUR (Thd. EUR).

Scope of Consolidation

An overview of both the fully consolidated and the companies valued at equity can be found in the 2007 Annual Report of Novomatic AG published on the company's website at www.novomatic.com.

In the first half of 2008, the following companies were included in the Consolidated Financial Statement for the first time:

- HTL Invest LLC, Ukraine (100%)

- Inmobiliaria Rapid S.A.C., Peru (100%)
- Hirscher Moneysystems GmbH, Germany (80%)
- HRG Formenbau + Kunststofftechnik GmbH, Austria (80%)
- Novo Investment d.o.o., Serbia (100%)
- Admira d.o.o., Serbia (70%)
- Novomatic Gaming Spain S.A., Spain (100%)
- Admiral Slots S.A., Spain (60%)
- HTL Montenegro d.o.o., Montenegro (100%)

Affiliated companies affecting the Group's assets, finances, and income situation only to a minor degree were incorporated in the scope of consolidation and were included under the acquisition cost heading in the financial assets section.

As a consequence, the scope of consolidation reflects the following developments:

Scope of Consolidation	Full Consolidation	At Equity Valuation
As of December 31, 2007	61	8
Included in the first half for the first time	9	-
Excluded in the first half	-	-
As of June 30, 2008	70	8
of which foreign companies	55	7

Notes to the Interim Financial Report

(1) Tangible Assets

Tangible asset investments primarily involved land and buildings to the amount of Thd. EUR 16,472 (first half of 2007: Thd. EUR 20,705), investments in technical facilities and machinery to the amount of Thd. EUR 111,997 (first half of 2007: Thd. EUR 87,718) and manufacturing equipment and fixtures to the amount of Thd. EUR 16,701 (first half of 2007: Thd. EUR 16,723). In addition to the construction of a state-of-the-art research and development center at the Gumpoldskirchen site, major projects involve further expansion on the Central and Eastern European distribution markets.

(2) Inventories

In Thd. EUR	30.06.2008	31.12.2007
Raw materials, auxiliary materials and operating supplies	55,181	45,578
Unfinished goods	19,995	13,051
Finished goods and products	62,024	25,164
Work in progress	0	0
Payments on account	11,931	7,631
Total	149,131	91,424

(3) Accounts receivable trade and other receivables

In Thd. EUR	30.06.2008	31.12.2007
Trade receivables	127,486	86,541
Unconsolidated receivables from affiliated companies	10,872	10,734
Receivables from associated companies	107	571

Prepaid expenses	7,097	9,077
Other short-term receivables	49,850	17,590
Total	195,412	124,513

(4) Long-term financial payables

In Thd. EUR	30.06.2008	31.12.2007
Bond	149,143	149,093
Bank loans	18,027	19,614
Finance lease payables	18,925	12,885
Other long-term financial payables	0	2,030
Total	186,095	183,622

(5) Accounts payable trade

In Thd. EUR	30.06.2008	31.12.2007
Trade payables	42,819	25,526
Unconsolidated payables to affiliated companies	674	310
Payables to associated companies	0	13
Advances received	585	934
Deferred income	32,180	44,052
Other short-term liabilities	86,414	51,843
Total	162,672	122,678

(6) Seasonality of the business

The business performance of Novomatic AG is not characterized by any significant seasonal fluctuations.

Reports by segment

01– 06 2008:

In Thd. EUR	Sales and Rentals	Gaming Establishments	Betting Shops	Others	Group Adjustments	Total
Revenue	419,004	207,413	97,644	16,101	-115,086	625,076
Operating income (EBIT)	152,988	38,646	3,369	1,193	-9,799	186,397

01– 06 2007:

In Thd. EUR	Sales and Rentals	Gaming Establishments	Betting Shops	Others	Group Adjustments	Total
Revenue	250,342	158,490	92,639	15,872	-70,446	446,897
Operating income (EBIT)	68,214	39,869	-914	1,198	-8,389	99,978

Board of Directors and Supervisory Board of Novomatic AG

Members of the Board of Directors of Novomatic AG:

- Dr. Franz Wohlfahrt, Chairman of the Board of Directors
- DI Ryszard Presch, Deputy Chairman of the Board of Directors
- Mag. Peter Stein, Chief Financial Officer of the Board

Members of the Supervisory Board of Novomatic AG:

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

During the first six months of 2008, no changes in the governing bodies of Novomatic AG as compared to their composition as of December 31, 2007 occurred.

Significant Events after the Interim Report Date

After June 30, 2008, no significant events occurred which may have reflected the assets, finances, and income situation in a different way.

Statement by the Board of Directors

The Board of Directors of Novomatic AG hereby declares that, to the best of its knowledge, the abridged Financial Report as per June 30, 2008 and the Interim Management Report, prepared in conformity with the International Financial Reporting Standards (IFRS) as prescribed within the European Union, reflect the company's assets, finances and income situation as truthfully as possible.

Gumpoldskirchen, August 29, 2008

The Board of Directors of NOVOMATIC AG:

Dr. Franz Wohlfahrt
Chairman

DI Ryszard Presch
Deputy Chairman

Mag. Peter Stein
Chief Financial Officer