

**NOVOMATIC AG**

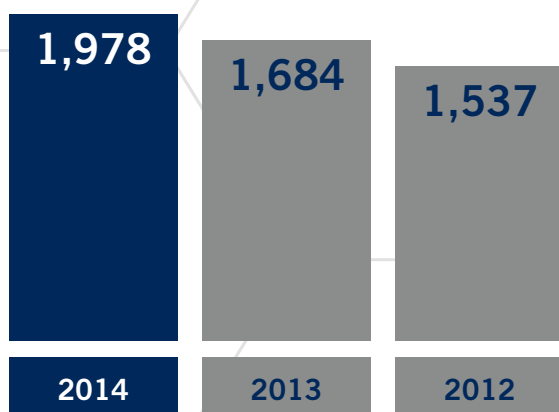


**ANNUAL REPORT 2014**

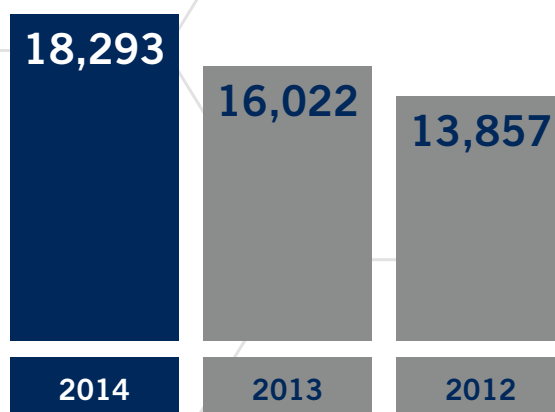


# » OVERVIEW OF KEY FIGURES

SALES REVENUES  
IN MILLION EURO\*



EMPLOYEES  
ANNUAL AVERAGE



CONSOLIDATED PROFIT & LOSS STATEMENT  
IN MILLION EURO\*

	2014	2013	2012
Sales revenue	1,977.6	1,684.1	1,536.7
EBITDA	647.4	480.0	523.8
EBITDA margin (EBITDA/sales) in %	32.7	28.5	34.1
Earnings before interest and taxes (EBIT)	363.3	174.8	281.8
EBIT margin (EBIT/sales) in %	18.4	10.4	18.3
Earnings before taxes	368.4	105.9	270.8
Consolidated annual profit after taxes	276.9	55.1	192.8

CONSOLIDATED BALANCE SHEET  
IN MILLION EURO\*

	2014	2013	2012
Balance sheet total	2,631.4	2,361.4	2,223.3
Equity	1,171.6	952.4	967.3
Equity ratio (equity capital/total assets) in %	44.5	40.3	43.5

\*Source: Consolidated Financial Statements as of 12/31/2013 and 12/31/2014 as per IFRS

# » ORGANIZATIONAL CHART

NOVOMATIC Group		
<b>ACE Casino Holding AG</b> (Switzerland, 100 %) casino operator	<b>NOVO Invest GmbH</b> (Austria, 100 %)	<b>Gryphon Invest AG</b> (Switzerland, 100 %)
<b>Casino Mendrisio (100 %)</b> <b>Casino Locarno (91 %)</b> <b>Casino Bad Ragaz (33,3 %)</b>	<b>NOVOMATIC AG Group</b>	<b>European Data Project s.r.o. (EDP)</b> (Czech Republic, 100 %) production operations, casino and gaming machine operations
	<b>NOVOMATIC AG</b> (Austria, 92 % directly and 8 % indirectly by Gryphon Invest AG) holding company	
	<b>Austrian Gaming Industries GmbH</b> (Austria, 100 %) casino and gaming facility operator, R&D, production, rental, sales	<b>ATSI S.A. Advanced Technology Systems International</b> (Poland, 82 %) technology center
	<b>ADMIRAL Casinos &amp; Entertainment AG</b> (Austria, 100 %) gaming facility operator	
	<b>ADMIRAL Sportwetten GmbH</b> (Austria, 100 %) sports betting provider	
	<b>HTM Hotel und Tourismus Management GmbH</b> (Austria, 100 %) gaming facility operator, including Hotel Admiral am Kurpark	
	<b>Greentube Internet Entertainment Solutions GmbH</b> (Austria, 100%) gaming solutions developer for the Internet, mobile devices and iTV	
	<b>I-New Unified Mobile Solutions AG</b> (Austria, 76.8 %) developer of gaming, payment, mobile marketing and messaging solutions as well as all-in-one systems for mobile virtual network operators (MVNOs)	
	<b>LÖWEN Entertainment GmbH</b> (Germany, 100 %) gaming facility operator R&D, production, rental and sales	
	<b>Crown Technologies GmbH</b> (Germany, 100 %) R&D, production, rental and sales	
	<b>Extra Games Entertainment GmbH</b> (Germany, 95 %) gaming facility operator	
	<b>Spielbank Berlin Gustav Jaenecke GmbH &amp; Co. KG</b> (Germany, 92.04 %) casino operator	
	<b>NOVOMATIC Italia S.p.A.</b> (Italy, 100 %) holding company, rental	
	<b>Allstar S.r.l.</b> (Italy, 100 %) gaming facility operator	
	<b>Astra Games Ltd.</b> (Great Britain, 100 %) R&D, production, sales	
	<b>Bell-Fruit Group Ltd.</b> (Great Britain, 100 %) producer	
	<b>Gamestec Leisure Ltd.</b> (Great Britain, 100 %) rental	
	<b>Luxury Leisure Ultd.</b> (Great Britain, 100 %) gaming facility operator	
	<b>Alfor SIA</b> (Latvia, 60 %) gaming facility operator	
	<b>Eurocoin Gaming B.V.</b> (Netherlands, 100 %) sales	
	<b>JVH exploitatie B.V.</b> (Netherlands, 100 %) production, rental and sales	
	<b>Elam Group Electronic Amusement B.V.</b> (Netherlands, 100 %) production, sales	
	<b>NOVOMATIC Gaming Spain S.A.</b> (Spain, 100 %) holding company, sales	
	<b>GiGames S.L.</b> (Spain, 80 %) production, sales	
	<b>Betware Holding hf.</b> (Iceland, 100 %) developer of gaming platforms and electronic lottery solutions and lottery terminals, production, sales	
	<b>NOVOMATIC Americas Holding Inc.</b> (USA, 100 %) sales	
		<b>NOVOMATIC AG Group</b>

## NOVOMATIC Group

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

The NOVOMATIC AG Group is a part of the NOVOMATIC Group and includes the main subsidiaries listed here. In addition to this, the NOVOMATIC AG Group is active in Macedonia, Romania, Croatia and other CEE and SEE countries through subsidiaries.

# » CONTENTS

Organizational chart of the NOVOMATIC Group	2
Overview of the NOVOMATIC Group	4
NOVOMATIC Global Operations	6
Growing Success	8
Foreword by the Founder & Majority Shareholder	10
Foreword by the Board of Directors	12

## **THE WORLD OF NOVOMATIC 14**

Regulatory Environment	19
Research & Development	20
Gaming Machines	22
Online Gaming	23
Operations	25
Sports Betting	28
Lottery	29

## **CONSOLIDATED FINANCIAL STATEMENT 30**

Management Report	32
Consolidated Balance Sheet	60
Consolidated Profit and Loss Statement	61
Consolidated Statement of Comprehensive Income	61
Consolidated Cash Flow Statement	62
Consolidated Statement of Changes in Equity	63
Notes to the Consolidated Financial Statements	64
Statement by the Board of Directors	123
Auditor's Report	124

## **INDIVIDUAL FINANCIAL STATEMENT 126**

Balance Sheet	128
Profit and Loss Statement	130
Notes	132
Auditor's Report	146
Report of the Supervisory Board	148
Imprint	152

In our 2014 CSR Report or online at [www.novomatic.com/csr/en](http://www.novomatic.com/csr/en), you will find extensive information as well as targets and measures related to our commitment to sustainability.

» OVERVIEW OF THE  
NOVOMATIC GROUP

REVENUES: **MORE THAN  
EUR 3.8 BILLION**

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EMPLOYEES IN AUSTRIA:  
**OVER 3,300**



EMPLOYEES WORLDWIDE:  
**MORE THAN 23,000**



EXPORT RATE: **98%**

10 production locations in 7 countries,  
17 technology centers in 10 countries




PROGRAMMING HOURS:  
**OVER 300,000 PER YEAR**

Registered IP trademark rights: 3,250



GAMING TERMINALS  
IN OPERATION: **232,000**



 CABLE PRODUCTION:  
**ABOUT 9,000 KM PER YEAR –  
55 M OF CABLES PER GAMING TERMINAL**

ASSEMBLY TIME PER  
GAMING TERMINAL:  
**APPROXIMATELY 6.5 HOURS**



INDIVIDUAL PARTS PER GAMING TERMINAL:  
 **APPROXIMATELY 250**

SURFACE AREA OF  
GUMPOLDSKIRCHEN HQ:  
**120,000 M2**

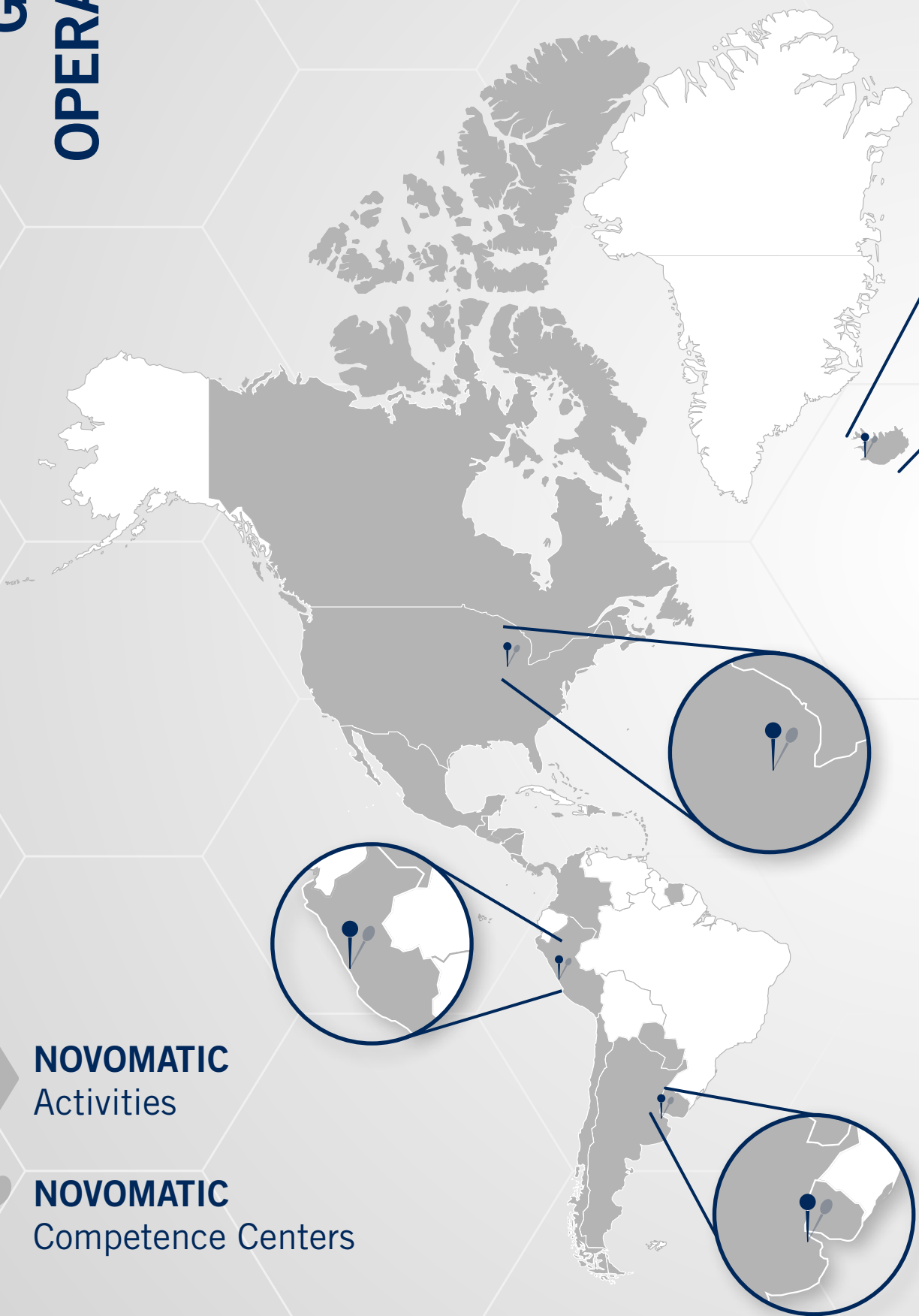


JOINERY: **4,300 M2**  
One of the largest joineries in Eastern Austria

GREENTUBE: **AROUND  
23 MILLION REGISTERED  
CUSTOMERS**



# » NOVOMATIC GLOBAL OPERATIONS



**NOVOMATIC**  
Activities



**NOVOMATIC**  
Competence Centers






# » GROWING SUCCESS

<b>1980</b>	<b>ESTABLISHMENT</b> Founded by Professor Johann F. Graf	<b>1991</b>	<b>ESTABLISHMENT</b> of the sports betting company <b>ADMIRAL Sportwetten GmbH</b> , Austria  <b>ADMIRAL</b>	<b>1996</b>	<b>ESTABLISHMENT</b> <b>Austrian Gaming Industries GmbH</b> , Austria  <b>AUSTRIAN GAMING INDUSTRIES</b> <small>NOVOMATIC GROUP</small>
<b>1989</b>	<b>MARKET ENTRY LTD.</b> Central, Eastern and Southern Europe		<b>1995</b>	<b>REVOLUTION</b> First NOVOMATIC multi-player devices revolutionize the market	

IN ITS RELATIVELY SHORT 34-YEAR HISTORY, THE NOVOMATIC GROUP HAS BECOME ONE OF THE TOP PLAYERS IN THE GAMING INDUSTRY AND THE CLEAR NUMBER ONE IN EUROPE.

<b>2010</b>	<b>BONDS</b> Two corporate bonds with a total volume of EUR 350 million  <b>MARKET ENTRY</b> Italy  <b>ONLINE MARKET ENTRY</b> via acquisition of the <b>Greentube Group</b> , Austria  <b>greentube</b> <small>NOVOMATIC GROUP</small>	<b>2009</b>	<b>INAUGURATION</b> New NOVOMATIC HQ in Gumpoldskirchen, Austria	<b>2011</b>	<b>ACQUISITION</b> <b>Spielbank Berlin</b> , Germany   <b>SPIELBANK BERLIN</b> <small>AM POTSDAMER PLATZ</small>  <b>ACQUISITION</b> <b>G. Matica</b> , Italy
<b>2012</b>	<b>ACQUISITION</b> Substantial assets of the <b>Danoptra Gaming Group</b> (Bell-Fruit Group und Gamestec Leisure Ltd.), Great Britain				

# 2003

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



# 2005

**INAUGURATION**  
**CASINO ADMIRAL**  
**PRATER**, Austria



# 2007

**ACQUISITION**  
**Crown Technologies GmbH**,  
Germany  
premium gaming terminal manufacturer



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



# 2004

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



# 2006

**REVOLUTION**  
**LÖWEN Entertainment GmbH**  
revolutionizes the German  
gaming market with its new  
multi-game concept **NOVILINE**

# 2013

**BONDS**  
Corporate bond with a volume  
of EUR 250 million

**MARKET ENTRY**  
Netherlands with VLTs in Romania

**ACQUISITION**  
**I-New Unified Mobile Solutions AG**,  
Austria



# 2014

**Niki Lauda** becomes NOVOMATIC brand ambassador

**BOND**  
Corporate Bond with a volume of EUR 200 million

**INAUGURATION**  
**Casino Hotel FlaminGO**, Macedonia

**ESTABLISHMENT**  
**Novo Gaming Netherlands B.V.**, Netherlands

**Novo Lottery Solutions GmbH**, Austria  
member of WLA, EL, CIBELAE and NASPL



**Extreme Live Gaming Ltd.**, Great Britain



**Eurocoin Gaming B.V.**, JVH exploitatie,  
Netherlands

**Betware Holding hf.**, Iceland  
development and sale of  
state-of-the-art gaming platforms  
and electronic lottery solutions



**ACQUISITIONS**  
**Casino Tornado**, Lithuania, 4 casinos  
**Luxury Leisure UIttd.**, Great Britain, Scotland  
**S.A.L. Leisure Ltd.**, Great Britain

**GiGames S.L.**, Spain

**SO.GE.M.A. S.p.A.**, Italy

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

**MARKET ENTRY**  
Israel, Illinois, Costa Rica, Honduras, Guatemala

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*“Our efforts to further strengthen the Group through optimization measures have proven to be the right strategy in especially challenging economic times.”*

**Professor Johann F. Graf**

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## **Dear Ladies and Gentlemen,**

With annual revenues of about EUR 2 billion, NOVOMATIC AG Group has just completed the most successful fiscal year in its corporate history. Together with the two Swiss sister holding companies ACE Casino Holding AG and Gryphon Invest AG, the NOVOMATIC Group was for the first time ever able to achieve joint cumulative revenues of more than EUR 3.8 billion.

I am very pleased with these successes. Not only because we achieved excellent results during 2014, but also because the NOVOMATIC AG Group was able to increase its number of employees by 14.2 percent during the reporting period. The efforts that we all put in during the past few years, aimed at further strengthening the Group through optimization measures and increased efficiency to guide us through especially challenging economic times, have therefore proven to be the right strategy.

NOVOMATIC, Europe's largest gaming technology group and one of the top players in the global gaming industry, has continued on its impressive road to success. The number of fully consolidated companies covered by this annual report documents the momentum of our internal growth: in 2014, the number of companies included in the scope of consolidation increased to 178.

NOVOMATIC has always stood for innovation. As a trendsetter for the gaming industry, we continued the further development of our products and system solutions during fiscal year 2014. In addition to this, we strengthened our position in important markets – not least through further acquisitions. And in our Austrian home market, we received two casino licenses that will hopefully soon take legal effect.

From our position as a fully integrated industry player, being a producer of innovative gaming equipment and lottery solutions and a provider of service-oriented gaming services via all channels as well of as state-of-the-art sports betting offerings, I look to the future with confidence.

Alongside sophisticated technology, it is above all our highly qualified employees who provide the basis for our long-term success – each and every one of the now more than 23,000 members of our NOVOMATIC family. They all play the decisive role. For I am fully convinced that the most important decisions a company can make always relate to people.

Gumpoldskirchen, April 2015

**Johann F. GRAF**

Founder and majority shareholder



» FOUNDER &  
MAJORITY  
SHAREHOLDER

# » THE BOARD OF DIRECTORS



Mag. Thomas GRAF

Mag. Peter STEIN

Mag. Harald NEUMANN

DI Ryszard PRESCH

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*”In the course of our activities within a sensitive business area, we have always attached utmost importance to a strong sense of responsibility.”*

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## Dear Ladies and Gentlemen,

During the 2014 fiscal year, NOVOMATIC AG Group was able to increase its sales revenues – both organically and through acquisitions – by 17.4 percent to a record high of EUR 1,977.6 m – the strongest-ever performance in our short 34-year history. The largest increase was achieved in the area of operations, where revenues grew by 19.6 percent to EUR 1,155.4 m. This was achieved not only through acquisitions (for example in the United Kingdom, the Netherlands and Macedonia), but also through the very successful performance of Group companies in two of Europe’s most important gaming markets, Germany and Italy.

The revenues achieved in the Gaming Technology segment also rose considerably to EUR 805.2 m (2013: EUR 712.3 m). In the future, we will be increasing our focus on Spain, one of our four most important target markets in Europe: with the acquisition of GiGames, the third-largest production and sales company for gaming terminals in Spain, the end of 2014 saw us establish a strong market position in all of the core segments of the Spanish gaming industry. The areas of online, mobile and lottery solutions were also given further reinforcement. As a gaming technology group with global operations, our goal is to provide a complete range of offerings that covers all segments of our industry.

This “multi-channel” strategy allows consumers to play any game either terrestrially (i.e. via gaming terminals at gaming facilities), online or via mobile devices.

During the reporting period, NOVOMATIC was able to enhance its position as an attractive employer. The company also once again improved its position within the ranking of companies with the most valuable brands. In the brand value study “eurobrand Austria 2014,” we took the third place with a brand value of EUR 2,621 m (representing an 8.2 percent increase). NOVOMATIC is furthermore the only Austrian company that has been able to consistently increase its brand value year after year, ever since this analysis report was established.

Finally, in the area of corporate social responsibility (CSR), we have continued developing our strategy for sustainability. In the course of our activities within a sensitive business area, we have always attached utmost importance to a strong sense of responsibility. This is documented in our CSR report – as evidence that it is very well possible to reconcile social commitment, responsible corporate governance and economic success.

Gumpoldskirchen, April 2015

**Mag. Harald NEUMANN**  
CEO

**DI Ryszard PRESCH**  
Deputy CEO

**Mag. Thomas GRAF**  
CTO

**Mag. Peter STEIN**  
CFO







The

**WORLD** of  
**NOVOMATIC**

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ICE Totally Gaming 2015

## THE WORLD OF NOVOMATIC

“Winning Technology” made in Austria is more than just a slogan – for the NOVOMATIC Group it is a firmly-held belief. Founded in Gumpoldskirchen in 1980 by the industrialist Prof. Johann F. Graf, NOVOMATIC, consisting of NOVOMATIC AG as well as its two Swiss sister holding companies ACE Casino Holding AG and Gryphon Invest AG, can look back upon an unparalleled success story.

34 years later, NOVOMATIC is not only a globally operating group of companies with activities in 80 countries and its own operating locations in around 50 of them, but also Europe’s largest gaming technology group. The foundation for its worldwide success can be found in its threefold strategy: as a producer of high-tech gaming equipment, an operator of approximately 1,500 electronic casinos, regular casinos and sports betting facilities worldwide, and as a technology and service partner in the lottery segment. NOVOMATIC is a one-stop provider covering the entire spectrum of gaming. The NOVOMATIC Group boasts an extraordinary degree of vertical integration of more than 90 percent. This leads to a unique competitive advantage which is consistently leveraged via the Group’s interlin-



ked research and development technology centers around the globe. It also allows the entire Group to realize considerable synergies.

The core of NOVOMATIC's success story has always been the Group's unique innovative strength. That is why research and development has such a high priority within the Group. Austrian Gaming Industries GmbH (AGI), the Group's flagship producing company, is known not only for its outstanding workmanship and state-of-the-art products, but has also established itself as the world market and technology leader in the construction of gaming terminals. Its annual investments in research and development, well above the industry average, truly pay off in practical operations. The

17 technology centers in ten countries and ten production locations in seven countries play a crucial role in the development of innovative technologies, system solutions and promising products for the online and mobile gaming segment. In the online segment, subsidiary Greentube Internet Entertainment Solutions GmbH plays a central role in achieving additional diversification. This company is a leading provider and operator of online gaming and social gaming services in Europe, the U.S. and Australasia. In the operational business segment, the NOVOMATIC Group increased the number of gaming terminals operated to 232,000 units during the year under review. This includes both gaming terminals operated via rental models and those located in the



Active worldwide for „winning technology“

more than 1,500 Group-owned gaming facilities worldwide, including casinos, sports betting facilities and electronic casinos. In Austria, subsidiary ADMIRAL Casinos & Entertainment AG (ACE) is in charge of the operation of 111 (as of January 2015) electronic casinos in Lower Austria, Upper Austria, Burgenland and Carinthia. By the end of 2014, the company had also applied for licenses for the operation of up to 1,012 further gaming terminals in Styria. The decision on this application is expected during the first half of 2015. In addition to this, ADMIRAL Sportwetten GmbH – the Austrian market leader for sports betting facilities – operates a total of 200 locations in the domestic market alone. And the identically named German subsidiary was likewise able to further expand its competencies during 2014. Alongside the development of high-tech gaming equipment and the operation of casinos, electronic casinos and sports betting outlets, the NOVOMATIC Group has also established itself as a content provider for licensed online and offline providers exclusively in regulated markets. And with its entry into lottery technology, the Group took the ultimate step toward full integration in 2013. During the 2014 fiscal year, NOVOMATIC was able to successfully expand its competencies in this segment with the establishment of NOVOMATIC Lottery Solutions.

With all this, the NOVOMATIC Group is positioned for steady, controlled and sustainable growth and will continue to consistently pursue this successful strategy in the years to come. The core markets include, in particular, the member states of the European Union, as well as Central, Eastern and South Eastern Europe. With its early commitment, the Group has established, expanded and maintained an excellent position in these countries. Apart from further increasing market share in these regions, the focus is also on markets with long-term stable growth prospects such as Latin America and Asia, as well as the United States, where NOVOMATIC has been active for three years. With its pioneering position – not only as a producer and operator, but also as a trendsetter in the area of online gaming with an output of more than 100 new games per year – the Group is well-equipped to handle the various market-specific requirements. And a stable business model, which includes gaming terminal rental, makes a strong contribution to securing our long-term success.

# REGULATORY ENVIRONMENT

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

NOVOMATIC advocates social responsibility and strict statutory regulations with regard to gaming at both the domestic and the international level. Within the single European market, gaming remains the only market segment for which the regulations have still not been harmonized among the member states. NOVOMATIC has therefore, in unison with numerous findings of the European Court of Justice over the past few years, been demanding harmonization of this segment as soon as possible.



The ADMIRAL Card is part of a technologically advanced and secure access system that NOVOMATIC is using to set new standards throughout Europe.

Basic requirements include a transparent licensing process for providers, the implementation of player protection measures in accordance with the highest standards, and measures aimed at combating crime and preventing money-laundering.

With the amendments to the federal Austrian Gaming Act passed in 2010 and the newly enacted state laws for machine gaming in Lower Austria, Upper Austria, Carinthia, Burgenland and Styria, a basis for legal and player protection-focused business practices by market participants in the field of fixed-loc-

tion gaming was created. Effective regulatory measures to prevent illegal gaming were also put in place.

In this context, the protection of data is an important issue: the operating subsidiary ADMIRAL Casinos & Entertainment AG has an information security management system (ISMS) in place which is certified according to the security standard ISO 27001. In early 2015, this system passed its recertification with flying colors. An ISMS that adheres to this standard must include various security components, especially measures to ensure access control and data encryption. The ADMIRAL Card itself received the European privacy seal EuroPriSe and was successfully recertified in the fourth quarter of 2014.

On 31 December 2014, all gaming terminals operated by NOVOMATIC AG's subsidiaries active in Vienna under valid licenses granted in accordance with the Viennese Events Act (Veranstaltungsgesetz) were decommissioned. NOVOMATIC was forced to take this precautionary measure as, contrary to the opinion of leading national experts on constitutional law, the authorities threatened strict enforcement measures against the operation of the devices prior to the turn of the year. The Constitutional Court declared its own legal view on this matter in a decision dated 12 March 2015.

The process for the issue of the remaining three casino concessions in Austria is still awaiting a decision by the Federal Administrative Court due to a complaint brought forward by a competitor. But during the second quarter of 2015, NOVOMATIC does expect confirmation of the first-instance decision by the Federal Ministry of Finance to grant two concessions (one for Vienna and one for Bruck a. d. Leitha in Lower Austria) to ADMIRAL Casinos & Entertainment AG following a thorough and transparent selection procedure.

In the U.S., where the company has already been awarded a gaming license in Illinois, NOVOMATIC will continue to successfully face the challenge of operating under what are arguably the strictest regulatory conditions anywhere while intensifying its efforts to expand its business activities in the U.S. by applying for various further licenses granted by various states. The Group expects that the near future will also bring changes to the regulatory environments of other countries, both within and outside the EU.



NOVOMATIC Biometrics System™ (NBS)

## RESEARCH & DEVELOPMENT

Thanks to its 17 technology centers in ten countries, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smartcard systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service," online and mobile gaming system solutions, and jackpot systems, as well as multiplayer

and community gaming systems, to name but a few of the more important ones. Both modular software architecture and interoperability of the various developments are crucially important.

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

In developing the newest generation of cabinet variants and models, which kick off industry trends, industrial design is an extremely important factor. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video



lottery and AWP (amusement with prizes) gaming markets with control possible via up to five monitors, roulette facilities with state-of-the-art ball ejection mechanisms, the use of state-of-the-art curved displays with a size of up to 65 inches to simulate special effects such as roller strip extensions and novel games, VIP terminals with giant screen technology, and dynamic lighting effects based on LED technology. In terms of data security, increasing emphasis is being placed on proprietary physical random number generators using quantum mechanics.

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

many, Great Britain, Iceland, the Netherlands, Spain, Russia, Argentina, Canada and Poland, working either in-house or in a Group-related capacity, as well as by exclusive partnerships with developers in Slovenia, Greece, the USA and Australia.

The global importance of intellectual property protection is on the rise. With more than 3,250 IP trademarks registered worldwide and in excess of 100 registrations per year, this area is paid special attention. The Group is constantly developing new products and product variants, resulting not insignificantly in over 300 new gaming variants per year. With the help of software development kits (SDK), it is possible for games developed by third parties (who use this SDK) to be added to the portfolio immediately.

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



## GAMING MACHINES

NOVOMATIC's wholly owned subsidiary Austrian Gaming Industries GmbH (AGI) acts as the Group's manufacturing flagship and is a leading international provider of a comprehensive portfolio of electronic gaming terminals and technology solutions that spans all segments of the industry. Before being introduced into the international markets, all products undergo thorough test runs at selected casinos and electronic casinos owned by the NOVOMATIC Group. This strategy guarantees that the only developments to reach the market are well-engineered and have already proven their reliability and attractiveness to customers in practice.

In February of 2014, the ExCel Exhibition Centre in London hosted ICE Totally Gaming for the second time. This trade show is considered the most important gaming exhibition in the world and an important meeting place for the global gaming industry. The exhibition's new floor plan, which for this year's event included areas in both the Southern and the Northern Hall of the ExCel Exhibition Centre, shows NOVOMATIC to have been

the largest exhibitor with a prominently placed showcase area encompassing 4,500 square meters. The trade show stand stretched from the Southern Hall's entrance down through the entire depth of the exhibition venue. This huge amount of floor space was required in order to allow NOVOMATIC to present the products and system solutions offered by its many subsidiaries to the London audience.

The highlights of the exhibition included the new cabinet NOVOSTAR® V.I.P., which in the further course of the year lived up to its self-confident name with an excellent market introduction, a number of new games and multi-game mixes for the current platforms Coolfire™ II and NOVO LINE™ Interactive, the new Panther Roulette™ and Panther Roulette II™ as successors of the innovative Pinball Roulette, electronic live games, and also a product presentation for NOVOMATIC Biometric Systems™ (NBS).

Thanks to an interdisciplinary development project oriented toward the long term that involved several different NOVOMATIC technology centers throughout Europe, the Group is now the first gaming technology provider in the world to have created the preconditions for a comprehensive registration and payment



system supported by biometrics. More than 50 new gaming titles were launched at the London trade show, either as single games or as part of a sophisticated gaming mix – a new record for NOVOMATIC.

With its futuristic cabinet design and numerous new features, the NOVOSTAR® V.I.P. housing took center stage among 2014's new product developments. The unique FLIPSCREEN® feature sported by the original NOVOSTAR® SL was retained. In addition to this, the NOVOSTAR® V.I.P. is equipped with an enormous 50-inch screen for panoramic gaming fun mounted at an ergonomically ideal distance. The accompanying Crown V.I.P. chair with integrated sound system completes a very special V.I.P. gaming experience.

NOVOMATIC Remote Play™ is a mobile and secure tablet/PC gaming solution offering casino operators new possibilities in terms of comfort, service and mobility. Using the casino's own tablets, guests are able to play their favorite NOVOMATIC NOVO LINE™ games anywhere within the reach of the casino's WiFi network. Meanwhile, they can move freely throughout the building, for example to the smoking area, the lounge, the bar or the restaurant.

## ONLINE GAMING

The area of online gaming is one of the fastest-growing sectors – not least because new technological innovations and developments are continuously being introduced into the market. More and more capable end devices, including versatile smartphones and tablet computers, offer new opportunities for consumers while at the same time creating completely new challenges for providers. The NOVOMATIC Group's online specialist Greentube Internet Entertainment Solutions GmbH takes on all these challenges head first, working tirelessly to further develop successful products. Greentube is not only one of Europe's leading B2B providers for online gaming solutions, but also one of the leading social gaming operators in Europe, the U.S. and Australasia. Its comprehensive portfolio focuses in particular on casino games, poker, games of skill and bingo, as well as free multi-player 3D download games.



Ski Challenge 15

Ski Challenge product site

Greentube markets its products in four main segments:

Several B2B service locations are tasked with the implementation of content licensing. Such licenses are granted to third-party providers operating exclusively in regulated markets. The company's customers include industry giants such as Sky, Ladbrokes and the Rank Group in Great Britain, as well as further international players. Important aggregators include Openbet and Amaya.

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

The development of mobile gaming clients for the widest possible selection of end devices is proceeding at a tremendous pace. Greentube is now capable of bringing NOVOMATIC products to market for iOS, Android and on the basis of HTML 5 technology, and has already integrated a corresponding portfolio into the existing sales channels.

And now, the use of the NOVOMATIC gaming portfolio has also established itself in the area of so-called "social gaming" across all the media channels described above. In this

extremely popular segment, games are played exclusively for entertainment purposes, i.e. without any payout of winnings. Therefore, these services also allow us to reach markets where the online gaming sector has not yet been regulated. In these markets, Greentube is present with popular brands such as Gametwist and Pharaoh's Way.



Greentube's multi-channel strategy combines online, mobile and server-based gaming, offering customers a comprehensive and networked gaming portfolio. In addition to this, Greentube is also able to provide a comprehensive range of games of skill that includes market-specific content and is also available on mobile platforms.

To complement organic growth, specifically targeted company acquisitions were carried out during 2014 in order to improve the Group's market position in the areas of mobile and social gaming.



Niki Lauda visiting the NOVOMATIC headquarters in Rimini (Italy) for the annual in-house exhibition



## OPERATIONS

The NOVOMATIC Group operates more than 1,500 gaming facilities worldwide: electronic casinos, casinos with live gaming activities, and sports betting facilities. They all stand not only for the finest entertainment and service at the highest level, but also for innovative products and system solutions.

Through its subsidiaries Austrian Gaming Industries GmbH (AGI) and ADMIRAL Casinos & Entertainment AG (ACE), NOVOMATIC was once again able to enhance its position as a leading operator of electronic casinos and thereby defend its market leadership in Europe during the 2014 fiscal year. NOVOMATIC operates modern electronic casinos throughout Europe via subsidiaries. In Austria, for example, ACE is responsible for the operation of a total of 111 facilities (as of January 2015) in Lower Austria, Upper Austria, Carinthia and Burgenland. 50 of these locations were inaugurated during fiscal year 2014 alone. In total, ACE thus operates more than 2,000 gaming terminals throughout Austria. All of these terminals have been successfully connected to the Federal Data Processing Center via a permanent, real-time link.

In addition to this, NOVOMATIC was able to strengthen its position in further core markets in Central, Eastern and South Eastern Europe. In Germany, for example, NOVOMATIC enjoys a stable position with its three subsidiaries Extra Games Entertainment GmbH, BPA Freizeit- und Unterhaltungsbetriebe GmbH, and ADMIRAL Play GmbH, which were able to achieve very positive revenue development despite the market environment being challenging due to further legal restrictions. In addition to this, NOVOMATIC also operates a total of seven casinos in Germany, including Spielbank Berlin at the Potsdamer Platz. This venerable casino generates the highest revenues of any casino in Germany and welcomes more than 2,000 guests daily. Its gaming area spans 11,000 square meters on four floors.

In Italy, Europe's largest gaming market, the number of electronic casino locations was once again increased during the past fiscal year. A noteworthy fact is that NOVOMATIC is the only company to supply all Italian concessionaires with video lottery terminals (VLTs), making it the Italian market leader with more than 24,000 VLTs in operation. The same applies in Romania, where a partnership with the Romanian state lottery, Loteria Romania, will provide for the eventual operation of 10,000 VLTs. In Great Britain, where gaming has a long-standing tradition as a popular leisure activity, the Astra Gaming Group – comprised of Gamestec Leisure, Bell-Fruit Games, Mazooma



ADMIRAL gaming facility in Traunreut, Germany



Live Casino ADMIRAL Mendrisio

Interactive and RLMS Sales – is among the country's largest producers and operators. In June of 2014, the Group was able to successfully enhance its market position with the acquisition of Luxury Leisure, which operates a total of 81 gaming centers as well as one family entertainment center. Further 2014 highlights included acquisitions in Lithuania and Macedonia: the very beginning of 2014 saw acquisition of Casino Tornado, which operates a total of four locations in Lithuania. And in March, the Casino Hotel FlaminGO in Macedonia was inaugurated. With this casino and hotel complex, which is located near the border to Greece, NOVOMATIC has created a new leisure

and entertainment attraction for the region. With approximately 450 gaming devices, 30 live tables, and a five-star hotel, the FlaminGO provides an attractive offering for its guests, most of whom are visitors from Greece.

NOVOMATIC's flagships in the casino segment also include the Swiss casinos in Mendrisio, Locarno and Bad Ragaz, as well as numerous casinos in the Czech Republic such as Casino ADMIRAL Colosseum in Haje. All of these establishments enjoy some of the strongest revenues within their respective regions.

# SPORTS BETTING



ADMIRAL sports bets „Bet You Win!“

True to its company philosophy of “building trust through bookmaking competency, payment security and respectability,” ADMIRAL Sportwetten is a competent provider of entertaining betting services via betting establishments, online, via mobile devices, as well as increasingly via innovative sports betting terminals. This wholly owned subsidiary of NOVOMATIC AG was founded in 1991 and rapidly managed to conquer a market share of more than 50 percent in Austria, making it the clear number one within the Austrian sports betting facilities business. Today, ADMIRAL Sportwetten operates 200 locations throughout all nine federal states either on its own or in cooperation with franchise partners.

ADMIRAL's bookmaking team, which analyzes sports news, observes the offerings, and subsequently offers the attractive ADMIRAL odds for countless sporting events, made a significant contribution to the company's success. An important contribution is also made by the company's internal risk management team.

The trend toward live betting was once more one of the dominating themes of the 2014 fiscal year. For this segment, however, ADMIRAL Sportwetten has introduced voluntary self-limitation. In addition to this, the market segments Internet and mobile continued their positive development. On the basis of its on-site betting business, the company had already established a successful online presence ever since 2001. And with more than 100,000 registered customers, its online basis is also very strong. As a complementary offering, the ADMIRAL To Go! app is available at the App and Play Store for any smartphone. Over the past few years, the company has also enjoyed success in the neighboring country of Germany. In the federal state of Schleswig-Holstein, ADMIRAL Sportwetten (based in Rellingen) received a license not just for the organization and sales of online sports bets, but also for stationary sales activities. And in March of 2014, the first ADMIRAL facility in Schleswig-Holstein opened its doors, an event followed by inauguration of a facility in Lübeck in October 2014.

In September of 2014, the Hessian Ministry of the Interior awarded ADMIRAL Sportwetten's Austrian and German subsidiaries one each of the altogether 20 licenses it issues for the provision of online sports betting services.



# LOTTERY

NOVOMATIC is continuously expanding its competence in terms of lottery services. In this field, the Group leverages its own experience as well as the comprehensive know-how of Icelandic lottery technology provider Betware hf.

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

A logical consequence of this development is the continued expansion of our presence in the classic lottery segment: with the establishment of its subsidiary NOVOMATIC Lottery Solutions (NLS) in mid-2014, the Group has now bundled its lottery competence in one place. Thanks to the combined resources, experience and know-how of NOVOMATIC and Betware, NLS can offer any lottery operator a full-spectrum solution for all sales channels, including online, mobile and terrestrial solutions.

Since July of 2014, NOVOMATIC can also count itself among the members of the three most important lottery associations worldwide: the World Lottery Association (WLA), the European Lotteries (EL), as well as the Corporación Iberoamericana De Loterías Y Apuestas De Estado (CIBELAE). The World Lottery

Association is a worldwide member-based organization that promotes for the interests of the state lottery companies by advocating the highest ethical principles and supporting its members in achieving their visions. As one of its most recent members, NOVOMATIC was recognized as a Gold Contributor. With this, the Group has proven not only that it is one of the industry's leading international players, but also that it complies with the WLA's high standards with regard to corporate and social responsibility. The European Lotteries, an umbrella organization for national lotteries, has also recognized these efforts and rewarded them with the status of Associate Member. The CIBELAE, an association of lotteries in Latin America, has furthermore accepted NOVOMATIC as a STAR Provider ("provedor estrella").

In the fall of 2014, NOVOMATIC signed a seven-year contract with the Israeli national lottery Mifal Hapais for the provision of video lottery technology. The solution to be provided includes a central system as well as 150 retailer terminals and 500 gaming terminals of the latest video lottery terminal generation. The NOVOMATIC Group's innovations and developments meet with great interest in the international marketplace, as demonstrated at the World Lottery Summit 2014 in Rome as well as the annual conference of the North American Association of State and Provincial Lotteries (NASPL) in Atlantic City. NLS had its own trade show stand at both events, and its products and solutions left a lasting impression among visitors, customers and partners alike.







CONSOLIDATED  
FINANCIAL  
STATEMENT

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# » MANAGEMENT REPORT

## on the 2014 Individual Financial Statement and Consolidated Financial Statement, NOVOMATIC AG, Gumpoldskirchen

### 1. Purpose of the Business and Strategy

NOVOMATIC<sup>1</sup> is a globally operating, integrated gaming technology and entertainment group with more than 30 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, produces and sells gaming products, lottery technology solutions and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC also operates more than 1,200 gaming facilities worldwide. Apart from automated casinos and sports betting outlets, it is for the most part casinos that have been becoming increasingly important in this business segment.

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

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

### 2. Economic Conditions

#### Macroeconomic Development

During 2014, the global economic recovery process remained more subdued than had previously been expected. As in the preceding years, the expansion of the global economy remained below the long-term trend, resulting in only a moderate increase in gross domestic product (GDP) of 3.3 percent<sup>2</sup>. While the United States and Great Britain, two of the leading developed countries, were able to achieve a robust upswing, the rather muted general development was mainly due to disappointing economic dynamics in the Eurozone as well as Japan. Monetary policy reflects this diverging position of the individual economies within the economic cycle: while in the Anglo-Saxon region tapering of quantitative easing measures had already been initiated, the Eurozone and Japan continue to pursue expansionary monetary policies.

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

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

Within the emerging market economies, a decrease in their potential for continued growth has been looming during the past few years, with these economies' respective individual development becoming more dependent on country-specific factors. Low commodity prices (due to reduced demand) dampen the growth prospects of emerging market countries that rely heavily on commodity exports as a major source of income. Apart from Russia, it is in particular Latin America that is strongly affected by this development. During 2014, this region posted growth of merely 1.2 percent. And Brazil, with a growth rate of 0.1 percent, just barely managed to avoid a recession. Apart from the high degree of dependence on income from commodity exports, this disappointing development was due mainly to a lack of reforms and waning confidence among foreign investors.

At 7.4 percent, China's growth during 2014 was slightly below the previous year's level. In China, investment growth has weakened considerably, mainly due to state-coordinated measures targeted at dampening credit growth. Private consumption, on the other hand, is becoming more and more important – mainly as a result of rising real wages. The developments in the other Asian countries diverge strongly. In total, however, this region is delivering stable growth.

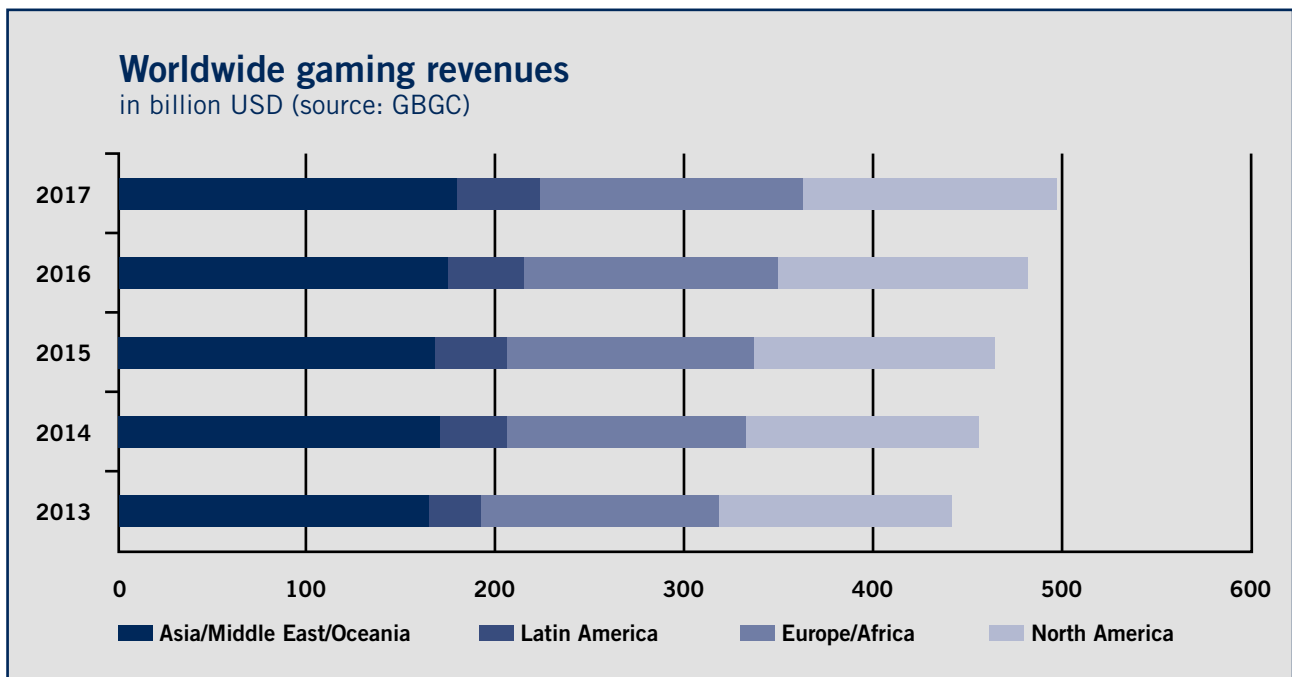
With an increase of 2.4 percent, the United States was able to demonstrate positive growth momentum in 2014. This increase was supported by several positive underlying conditions. While the U.S. Federal Reserve finally ended its purchases of fixed-income assets in October of 2014, interest rates were not expected to rise until later in 2015. Monetary policy therefore still has an expansive effect. Private consumption benefited from the rebound of the labor market, as well as the declining indebtedness of private households. In addition to this, the decline in energy prices triggered by the shale gas boom supported the recovery of industry and boosted the purchasing power of private households.

While the European Monetary Union was able to overcome the previous year's recession, growth amounted to a meager 0.8 percent. In particular, the economic weakness of large industrialized countries such as France and Italy proved a burden. Rather uplifting, on the other hand, was the development of countries such as Spain, Ireland and Portugal, which had still been in the grips of recession during the previous year. One aspect that remains a cause for concern is the situation regarding long-term and youth unemployment in Europe, as well as the related weak consumer demand. In view of continued deflationary concerns as well as the poor level of lending, the ECB's Governing Council decided in June and September of 2014 to introduce further monetary policy measures. Apart from lowering the base rate to 0.05 percent, the European Central Bank introduced a series of unconventional measures aimed at stimulating lending activities. These measures are having a positive impact on long-term interest rates. Companies, however, are remaining very cautious with their real investments in light of the prevailing uncertainties.

In a recently published analysis, the Institut für höhere Studien (IHS) lowered its forecast of Austrian economic growth for 2014. Instead of the 1.7 percent that had been expected at the beginning of the year, growth estimates now stand at 0.3 percent. As the global economy failed to provide a positive impetus, the desired export growth remained below expectations. And in accordance with the weak economy and the high degree of uncertainty regarding future economic development, the investment activities of Austrian companies remain subdued. A factor that rendered the situation even more difficult was the fact that government budgets were impacted by debt consolidation efforts as well as the measures taken to liquidate Hypo Alpe Adria AG (HETA). Private consumption, which traditionally has a stabilizing effect on Austria's economy, also remained cautious due to the moderate development of private household incomes.

## Development of the Gaming Market

In 2014, the global gaming market continued its growth. The growth figure of 3.5 percent was slightly above the previous year's level. The analysts at GBGC (Global Betting and Gaming Consultants) have estimated that global gaming expenditures in 2014 came in at USD 456 billion, compared to USD 440 billion the previous year. The strongest growth was recorded in the area of lotteries, where an increase of 9.6 percent was achieved, while the casino sector as well as the market for gaming devices outside of casinos (for example in electronic casinos or bars) remained below the long-term trend.



The combined gaming market of Europe/Africa was able to achieve an increase of 2.7 percent during the reporting year. The strongest growth rates were attained in the areas of bets (in particular sports bets) and lotteries. For the coming years, the analysts at GBGC expect annual growth rates to average 2.3 percent. This development is supported by the trend towards stronger regulation and liberalization in both online and terrestrial gaming.

The gaming market in Latin America and the Caribbean grew strongly during 2014, posting growth of 14.9 percent. Particularly the lottery sector proved to be quite dynamic, recording an increase of 34.3 percent over the previous year. According to the experts at GBGC, this market is set to nearly double in size by 2017.

The North American gaming market grew by 2.1 percent in 2014. With its share of 58 percent, the casino sector remains by far the largest segment of the North American gaming industry. The liberalization of the gaming markets during the past few years has resulted in numerous new casino projects. The main effect of these projects, however, has only been to squeeze competitors out of the market. As a consequence, four casinos in Atlantic City had to shut down during 2014 alone.

The Asia-Pacific region once again recorded clear gains in 2014. At 3.1 percent, however, the increase in gaming expenditures fell short of previous expectations. Macau, which had been enjoying a seemingly unstoppable ascent to become the world's most important gaming metropolis, suffered a considerable setback. An anti-corruption campaign on the Chinese mainland caused VIP players, in particular, to avoid the casinos. This, in turn, touched off a continual decline in revenues from mid-2014 onwards. This series of money-losing months, meanwhile, put pressure on the six casino operators listed on the Hong Kong Stock Exchange. They ultimately saw their market capitalization drop by more than USD 100 billion. The remaining countries within this economic region, on the other hand, are benefitting from this development, and thanks not least to increasing per capita income, considerable growth rates in gaming expenditures are expected.

The most significant trend during 2014 was the massive increase in M&A activity within the gaming industry, in particular among producers of gaming solutions. A key reason for this development is the stagnation of sales figures in the North American casino market, as this necessitates the reduction of operating costs via the creation of synergies. The majority of these transactions are financed through debt, resulting in a significant deterioration of the leverage ratios of the companies involved.

Apart from geographic expansion, another motivation for acquisitions has been the objective of rounding out product portfolios. For

gaming companies acting on a global scale, it is becoming increasingly necessary to be able to provide a full-fledged offering of gaming products, be it in the area of classic gaming devices, networked systems, lottery solutions or online games. In this context, the “multi-channel” strategy that allows consumers to access the same content via terrestrial gaming (for example on gaming devices at electronic casinos), online, and via mobile devices is becoming more and more important.

According to a study carried out by the consulting firm Juniper Research, the number of individuals using their mobile devices for gaming will grow from 64 million in 2013 to 164 million by the year 2018. This rapid growth is owed not only to the increasing market penetration of high-performance smartphones and tablets, but also to a change in gaming behavior. Due to the enhanced availability offered by mobile offerings, consumers can play games anytime and anywhere. This turns gaming into an increasingly spontaneous activity which requires little time and no longer needs to be planned in advance.

Mobile gaming is increasingly being influenced by so-called “social games.” These are interactive games that were originally embedded in a social network such as Facebook, but are now also increasingly offered for mobile devices. Social casino games that imitate casino gaming formats form a subset of this category. In contrast to classic gaming, however, social casino games do not include the possibility of paying out winnings. Therefore, they are not subject to gaming legislation.

### 3. Business Performance

#### Significant Events during the Reporting Period

For NOVOMATIC, which was founded in 1980, fiscal year 2014 was the most successful year ever. Thanks to organic growth and acquisitions, revenues increased to a historic level of EUR 1,977.6 million. At EUR 363.3 million, earnings before interest and taxes (EBIT) also reached a record high. And the number of companies included in the scope of consolidation also serves to underscore the NOVOMATIC Group’s growth dynamics. The number of fully consolidated companies increased from 168 (as of 31 December 2013) to 178 by the end of 2014.

#### Acquisitions and Disposals of Interests in Companies

On the one hand, acquisitions were carried out in order to attain or solidify market-leading positions in existing markets. On the other hand, the acquisition strategy in the area of new technologies aimed at creating the basis for accelerated and sustainable future growth.

In June of 2014, the NOVOMATIC Group acquired the assets of Luxury Leisure Unlimited as well as S.A.L. Leisure Limited, resulting in the largest acquisition in the company’s history. The acquired companies operate more than 80 gaming locations in England and Scotland and employ approximately 850 individuals. With this acquisition, NOVOMATIC’s market position in one of Europe’s largest gaming markets was strengthened for the long term.

With the purchase of GIGAMES S.L., one of the most important Spanish producers of gaming devices, a strategically important acquisition was concluded in December of 2014. The objective of this transaction was to provide long-term support to the NOVOMATIC Group’s market position in Spain.

In the Dutch gaming market, which NOVOMATIC had entered only recently, a further acquisition was made to enhance the NOVOMATIC Group’s position within the market for machine placement, while at the same time allowing an entry into the country’s gaming salon segment.

With the acquisition of the high-tech company Dazzletag Entertainment Ltd, a B2C provider of online casino and bingo products, NOVOMATIC was again able to successfully expand its activities within the online gaming segment.

And during 2014, the Group made the strategic decision to sell its stake in Monticello Grand Casino & Entertainment World, one of the largest casinos in Latin America, to the former co-owner Sun International Limited. After the elimination of individual suspensive conditions, the sale of the shares took legal effect in November of 2014.

### Concessions

In June 2014, the Austrian Federal Ministry of Finance (BMF) granted its approval for the three remaining individual licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. As part of this, ADMIRAL Casinos & Entertainment AG, a NOVOMATIC Group company, was awarded concessions for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha). At the time of preparation of this management report, the decisions had not yet taken legal effect due to a complaint brought forward by a losing competitor.

As a precautionary measure, all gaming devices operated by subsidiaries of the NOVOMATIC Group active in Vienna were decommissioned on 31 December 2014. NOVOMATIC was forced to take this step, as the local authorities – contrary to the opinion of leading experts on constitutional law – had threatened strict enforcement measures against the operation of the devices prior to the turn of the year. From the beginning of the year 2015 onwards, therefore, legal certainty was not sufficient to warrant further operation. The closure costs incurred due to decommissioning of the gaming devices at the affected locations are accounted for in the consolidated financial statements for 2014.

### Bond

As a frequent issuer, NOVOMATIC AG successfully placed another corporate bond with a volume of EUR 200 million in June of 2014. It has a maturity of seven years and an interest rate of 3 percent p.a. This transaction met with very high degree of interest among investors, with particularly strong demand coming from retail investors, who accounted for approximately 62 percent of the orders. The bond will be used mainly for the optimization of NOVOMATIC Group's financing structure.

## Consolidated Financial Statement for NOVOMATIC

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

### PROFIT AND LOSS STATEMENT Condensed Version with Selected Positions (in million EUR)

	2014	2013	Difference in %
<b>Sales revenue</b>	<b>1,977.6</b>	<b>1,684.1</b>	<b>17.4</b>
Material cost and cost for purchased services	-252.8	-235.5	7.3
Personnel costs	-512.4	-431.3	18.8
Other operating expenses (including gaming taxes)	-799.5	-755.3	5.8
<b>EBITDA (= earnings before interest, taxes, depreciation and amortization)</b>	<b>647.4</b>	<b>480.0</b>	<b>34.9</b>
<b>EBITDA margin in %</b>	<b>32.7</b>	<b>28.5</b>	
Depreciations and amortizations	-284.1	-305.2	-6.9
<b>EBIT (=operating profit)</b>	<b>363.3</b>	<b>174.8</b>	<b>107.8</b>
Financial result	5.1	-68.9	-107.3
Earnings before taxes	368.4	105.9	247.8
<b>Annual profit</b>	<b>276.9</b>	<b>55.1</b>	<b>402.2</b>

## Earnings Position

During fiscal year 2014, the NOVOMATIC Group was able to increase its sales revenues by 17.4 percent to a historic record high of EUR 1,977.6 million. The largest increase was achieved in the area of gaming machine revenues, which rose by 18.4 percent to EUR 883.5 million. Apart from the recent acquisitions in the United Kingdom, the Netherlands and Macedonia, the established companies in Italy and Germany likewise contributed to this positive development.

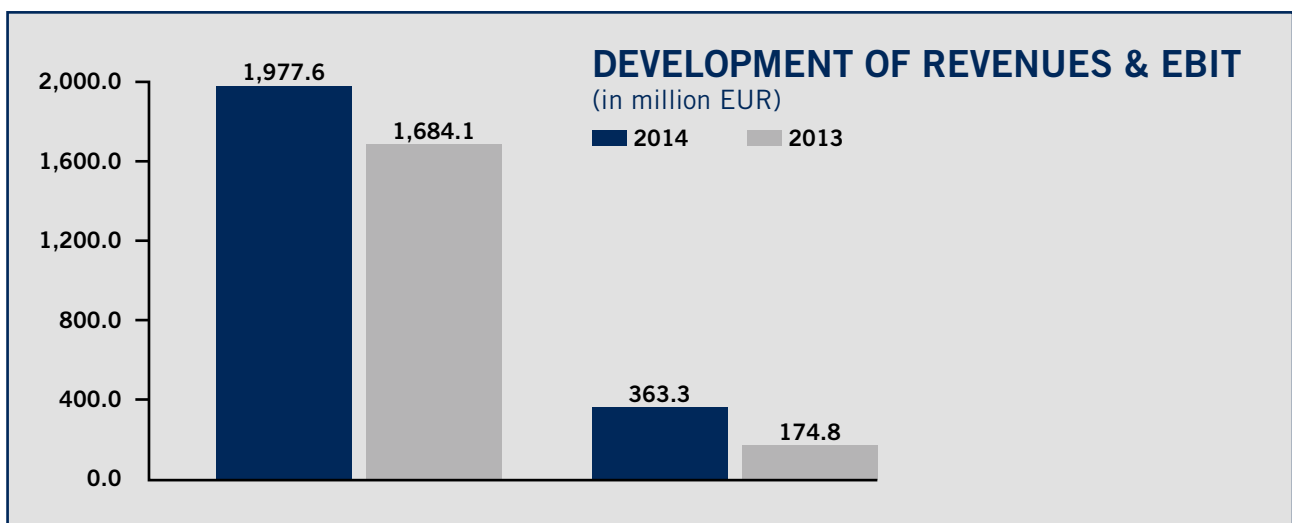
Significant revenue growth was also achieved in rental revenues, which increased by EUR 45.7 million, as well as in sales revenues (plus EUR 37.0 million), e-business revenues (plus EUR 29.2 million) and betting revenues (plus EUR 16.6 million). In line with the increased sales revenues, material expenditures increased by EUR 17.3 million over the previous year. The inventories of finished goods and work in progress grew by EUR 11.4 million during 2014.

The increase in personnel expenses to a total of EUR 512.4 million is due to the expansion during the years of 2013 and 2014. The greatest changes were recorded in Great Britain, Italy and the Netherlands.

In terms of other operating expenses (including gaming taxes and betting fees), there was an increase to EUR 799.5 million in 2014. The increases were mainly related to the expansion of business activities. The strongest increase was recorded for gaming taxes, which rose by EUR 29.7 million or 21.0 percent. Further significant increases resulted from non-income-related taxes, advertising expenses, and rental, lease and operating expenses. Meanwhile, other expenses declined considerably. During 2013, provisions related to pending proceedings against an Italian Group company were made in the amount of EUR 47.3 million. During fiscal year 2014, these provisions were used for their intended purpose. No further expenses with an impact on profit or loss were recorded in relation to this matter.

Depreciations across the Group declined by EUR 21.1 million to EUR 284.1 million. This decline is mainly due to the high extraordinary depreciation during 2013, which came about due to impairment tests carried out for the German and Italian gaming operations. These adverse special items were no longer present to the same extent during the reporting year, thereby resulting in lower depreciation.

Earnings before interest, taxes, and depreciations and amortizations (EBITDA) increased significantly against the previous year, rising by 34.9 percent to EUR 647.4 million. This corresponds to an EBITDA margin of 32.7 percent, compared to 28.5 percent in 2013. Operating profit (EBIT) increased significantly, from EUR 174.8 million in the previous year to EUR 363.3 million, resulting in a historic record high for NOVOMATIC.



The financial result, at EUR 5.1 million, came in significantly above the previous year's level of EUR -68.9 million. Apart from the higher financial income due to the sale of the 50 percent share in Novosun S.A. in Chile as well as significantly lower exchange rate losses, this positive result also reflected the negative one-time effect of impairment charges recorded in 2013 in relationship to TAP daily Vertriebs GmbH. In 2014, no such charges were incurred.

After consideration of tax expenses amounting to EUR 91.4 million, the Group was left with an annual profit of EUR 276.9 million for 2014.

## Assets Position

The balance sheet total rose by EUR 270.0 million compared to the 31 December 2013 figure, amounting to EUR 2,631.4 million as of 31 December 2014. In terms of non-current assets, intangible assets increased by EUR 88.7 million to EUR 437.2 million. This increase is largely due to the newly acquired companies in Great Britain, Malta, the Netherlands and Spain.

Property, plant and equipment remained almost unchanged at EUR 799.0 million, compared with EUR 810.3 million for the previous year. A major change pertains to the item "Investments in associated companies." Due to the sale of the 50 percent stake in Novosun S.A. in Chile, this item declined by EUR 76.6 million.

Current assets increased from EUR 878.3 million to EUR 1,153.5 million during 2014. While the value of inventories increased only slightly, trade receivables rose significantly by 26.8 percent to EUR 170.8 million, in particular due to the acquisition of GIGAMES S.L. in Spain.

The largest change relating to current assets was in terms of cash and cash equivalents. Compared to the previous year, cash and cash equivalents increased by EUR 209.6 million to EUR 627.2 million by the end of 2014. Apart from return flows from the sale of the 50 percent stake in Novosun S.A. in Chile, this position also included liquid assets saved up to repay the bond due to mature in January of 2015.

## BALANCE SHEET Condensed Version (in million EUR)

	2014	2013	Difference in %
<b>Assets</b>			
Non-current assets	1,477.9	1,483.1	-0.4
Current assets	1,153.5	878.3	31.3
<b>Balance sheet total</b>	<b>2,631.4</b>	<b>2,361.4</b>	<b>11.4</b>
<b>Liabilities and shareholders' equity</b>			
Equity	1,171.6	952.4	23.0
Non-current liabilities and provisions	788.6	965.1	-18.3
Current liabilities and provisions	671.2	443.9	51.2
<b>Balance sheet total</b>	<b>2,631.4</b>	<b>2,361.4</b>	<b>11.4</b>

During the reporting period, equity capital rose by EUR 219.2 million to EUR 1,171.6 million, of which EUR 45.7 million consisted of other shareholders' shares. In addition to this, equity capital is comprised of the registered capital of NOVOMATIC AG (amounting to EUR 26.0 million), the capital reserves (amounting to EUR 1.0 million), retained earnings (amounting to EUR 1,139.3 million), the valuation reserve as per IAS 39 (amounting to EUR -9.4 million) and the currency translation adjustment (amounting to EUR -30.9 million). As of the reporting year's balance sheet date, the equity ratio was 44.5 percent, compared to 40.3 percent in the previous year. Due to the significantly better Group results, the return on equity increased to 23.2 percent.

Non-current financial liabilities were reduced by EUR 189.4 million to EUR 636.5 million during the fiscal year, while current liabilities rose by EUR 243.4 million to EUR 270.1 million. This effect is related to a bond newly issued during 2014, as well as



another bond maturing in 2015. The emission volume of the bond issued in June 2014 was EUR 200 million. A large proportion of this amount was used to optimize the financing structure, allowing us to reduce bank liabilities by EUR 193.5 million during the reporting year to a current amount of EUR 35.3 million. At the same time, current financial liabilities increased, as a previously issued bond maturing in January of 2015 (year of issue: 2010) had to be recorded as current.

Trade liabilities and other current liabilities increased slightly to EUR 317.6 million, compared to EUR 296.5 million at the end of 2013. During 2013, provisions for legal settlements related to pending proceedings against an Italian Group company were established in the amount of EUR 47.3 million. This was included in the item "Current provisions": During fiscal year 2014, this provision was used for the intended purpose, resulting in a decrease in this item.

## Financial Situation

### Cash Flow

Across the Group, cash flow from operational activities totaled EUR 444.5 million in 2014, compared to EUR 432.7 million the previous year. The improvement of the operating cash flow is mainly due to the significantly improved operating result. A provision that had been established in 2013 to cover pending proceedings against an Italian Group company and that was reversed and dispensed in 2014 had a negative impact on cash flow. This provision amounted to EUR 47.3 million. Further factors that had a negative impact on the operating cash flow compared to the previous year included lower depreciation as well as higher income tax payments.

Cash flow from investment activities amounted to EUR -195.7 million in the year under review, while the comparative figure for 2013 amounted to EUR -283.8 million. The change against the previous year is due mainly to the sale of the 50 percent stake in Novosun S.A. in Chile, which is reflected in the item "Results from associated companies and investments."

The cash flow from financing activities amounted to EUR -47.8 million during the reporting year, a considerable improvement over the previous year's figure of EUR -101.6 million. While the issuance of the bond during 2014 resulted in a positive cash inflow (issue volume of EUR 200 million), bank liabilities were reduced to a slightly lesser extent. Due to interest and dividend payments, the cash flow from financing activities was ultimately negative.

At EUR 248.7 million, the free cash flow for fiscal year 2014 was considerably higher than the figure of EUR 148.9 million achieved the previous year.

### INVESTMENTS (in million EUR)

	<b>2014</b>	<b>2013</b>
Intangible assets	31.0	33.6
Property, plant and equipment	222.6	228.9
<b>Total investments</b>	<b>253.6</b>	<b>262.5</b>

### Investments

The Group's total investment activity amounted to EUR 253.6 million in 2014, of which EUR 31.0 million was invested in intangible assets and EUR 222.6 million in property, plant and equipment. In comparison to the previous year, this corresponds to a decrease in investment by EUR 8.9 million.

The largest share of investments in property, plant and equipment was in gaming devices, manufactured (mostly) in-house, with investments of EUR 137.2 million. Investments in intangible assets made during 2014 related mainly to investments in software and other intangible assets.

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## Selected Group Key Figures

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	2014	2013
Equity capital ratio (equity capital/balance sheet total)	44.5%	40.3%
Return on equity (parent company shareholder result/equity capital)	23.2%	6.6%
Return on assets (annual profit + interest cost)/balance sheet total	12.0%	4.0%
Working capital (current assets - current liabilities) in million EUR	482.3	434.4
Net debt (non-current financial liabilities + current financial liabilities – cash and cash equivalents) in million EUR	279.4	435.0
Net debt to EBITDA (net debt/EBITDA)	0.4	0.9
Interest coverage ratio (EBIT/interest expense)	9.5	4.4
Asset coverage (equity capital/non-current assets)	79.3%	64.2%

## 4. Segment Analysis

### Segment Reporting Contents

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

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

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

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

### Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 805.2 million in the year under review, representing a significant increase compared to the previous year (EUR 712.3 million).

## EUROPE

### Online and Mobile Gaming (B2B)

During fiscal year 2014, the rapid revenue growth of the Greentube Group companies active in the B2B segment continued. This group of companies, which is in turn part of the NOVOMATIC Group, is an internationally leading content provider of online games. These are offered to licensed operators of gaming websites, with both a fun mode and a cash mode. The technology, which was developed in-house, is capable of handling a high number of simultaneous users while requiring a relatively low level of resources.

The Greentube Group pursues its business activities only in markets with a clearly defined legal framework. During the year under review, the continued trend toward greater regulation and the opening of the online gaming market in Europe offered numerous opportunities to expand the business activities in both the B2B and the B2C segment. New projects in Great Britain, the Netherlands, Spain and Belgium laid the foundation for further growth. Additional projects in Southeast Europe are currently being evaluated.

## Germany

The First State Treaty amending the State Treaty regarding Gambling in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) took effect on 01 July 2012, and since the belated inclusion of Schleswig-Holstein in 2013, it has applied to all German federal states. For its implementation, a transitional period of five years was granted. The legislators' intention with regard to commercial gaming centers mainly on reducing the availability of gaming opportunities and strengthening player protection. This is to be achieved mainly through the establishment of distance regulations for slot arcades, as well as a prohibition of multiple concessions (i.e. limitation to a maximum of twelve gaming devices per location). Though the GlüÄndStV has been criticized by the EU Commission, and though serious constitutional concerns do exist, no corrections to its legal provisions have been implemented so far.

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

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

The impact of the new regulations is not entirely foreseeable as of yet. It must be assumed, however, that the total number of gaming devices operated in Germany will decline considerably when the transition period ends in 2017, although higher capacity utilization of devices should provide for a certain offsetting effect.

The focus of the German Group companies in the Gaming Technology segment is on the area of gaming machine rental. In Germany, the NOVOMATIC Group has long commanded more than 50 percent of the market for commercial gaming devices, a market share that it successfully defended in 2014. In light of the stricter regulatory framework, however, the number of rented gaming devices decreased during the reporting period. Nevertheless, the revenues of subsidiaries Löwen Entertainment GmbH and Crown Technologies GmbH came in slightly above the previous year's value to total EUR 344.6 million.

## Italy

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

In August of 2014, a 100 percent stake was acquired in SO.GE.M.A. S.p.A., an Italian manufacturer and distributor of gaming devices and coin dispensers. With its many years of operation, this company, which was founded in 1980, provides not only extensive know-how but also valuable customer relationships that will help to further solidify NOVOMATIC's position within the Italian market.

Once again, the revenues of the Italian Group companies that belong to the Gaming Technology segment rose during the year under review. Thanks to their attractive products, the Group was able to acquire new customers during 2014, following which the number of rented gaming devices – and hence also the level of revenues – increased significantly.

## Great Britain

The British gaming market is one of the largest and most developed markets in Europe. Great Britain was also one of the first jurisdictions to regulate online gaming, thus opening up the market to us in this area. The British market includes approximately 250,000 gaming devices, most of which are located in pubs, licensed betting offices, gaming facilities and bingo centers. Due to the highly mature nature of this market, the potential for a further increase in the number of gaming devices operated is limited.

And in fact, the current is more toward consolidation. The pub sector, in particular, has seen a massive number of businesses forced to close over the past 30 years. This has resulted in a commensurately lower number of gaming devices of the kind traditionally operated in pubs.

For NOVOMATIC, Great Britain represents a market of the future that, despite the difficult market environment, offers immense opportunities for the company. During the year under review, the British Group companies belonging to the Gaming Technology segment achieved revenues of EUR 89.2 million, which is a considerable increase over the previous year's figure.

### **Netherlands**

During fiscal year 2013, NOVOMATIC had entered the Dutch gaming market by successfully completing several acquisitions. And in November of 2014, Elam Group Electronic Amusement B.V. was acquired. This is a production and sales organization for gaming devices with a strong footprint in the area of electronic multiplayer roulette devices in the Netherlands. The acquisition of Elam further expands Dutch gaming production activities, and close cooperation with other Group companies is expected to make for significant synergies.

### **Spain**

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

During the past fiscal year, NOVOMATIC Gaming Spain S.A. has achieved highly satisfactory business development, with the revenues achieved within the Gaming Technology segment seeing a renewed increase to EUR 11.4 million.

### **CEE/SEE**

A 15-year partnership entered into with Loteria Romana provides for NOVOMATIC's delivery of up to 10,000 sophisticated video lottery terminals (VLTs), as well as the corresponding required video lottery system (including a jackpot system, service, spare parts, logistics, etc.) in Romania. By the end of 2014, NOVOMATIC had already put more than 5,000 VLTs into operation.

Taken as a whole, the companies belonging to the Gaming Technology segment within the regions of Central Eastern Europe (CEE) and South Eastern Europe (SEE) manage to achieve positive business development during fiscal year 2014.

### **INTERNATIONAL**

#### **South Africa**

AGI Africa Ltd. was able to increase its revenues by EUR 1.1 million to EUR 13.6 million during the reporting year. This was due mainly to the positive development of gaming device sales.

#### **Latin America**

The companies operating in Latin America within the Gaming Technology segment delivered mixed results for 2014. While business developed positively in Peru and Colombia due to increased rental and sales revenues, the Mexican sales company, in particular, experienced a decline in revenues during 2014.

## Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,155.4 million in the year under review, representing a significant increase over the previous year (EUR 965.8 million).

### EUROPE

#### Austria – Gaming Operations

During fiscal year 2014, the gaming operations of Austrian Gaming Industries GmbH and ADMIRAL Casinos & Entertainment AG performed below expectations, mainly due to the difficult market environment. Meanwhile, HTM Hotel und Tourismus Management GmbH as well as Wett Café Betriebsgesellschaft m.b.H. were able to achieve positive development, posting gaming machine revenues of EUR 122.9 million.

For the year under review, ADMIRAL Sportwetten GmbH (ASW) increased its revenues by 42.5 percent year-on-year. This is in particular due to the generally dynamic development of the betting market, as well as to the Soccer World Cup held during the summer of 2014. In terms of profitability, measures aimed at increasing efficiency contributed to a substantial improvement of the earnings situation at ASW.

#### Austria – Concessions and Legal Environment

In June 2014, the Austrian Federal Ministry of Finance (BMF) granted its approval for the three remaining individual licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. As part of this, ADMIRAL Casinos & Entertainment AG, a NOVOMATIC Group company, was awarded concessions for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha). At the time of preparation of this management report, the concession decisions had not yet taken legal effect due to a complaint brought forward by a losing competitor. A decision by the competent court is expected during the year 2015.

In 2012 and 2013, ADMIRAL Casinos & Entertainment AG was able to obtain licenses for state-licensed machine gaming in the federal states of Lower Austria, Upper Austria, Burgenland and Carinthia. In the federal states of Lower Austria, Upper Austria and Burgenland, the roll-out of the gaming machines took place on time, thus complying with the respective obligations to operate. In Carinthia, the granted license was revoked by the administrative court in 2014. Subsequently, however, continued operation was permitted for the year 2015. So far, 190 gaming machines at nine locations have been put into operation. After completing a new licensing procedure which included the original concession applications, a license for the operation of 259 gaming machines in the state of Carinthia was finally granted in March of 2015. At the time at which this management report was being prepared, the licensing decision had not yet taken legal effect.

As a precautionary measure, all gaming devices operated by subsidiaries of the NOVOMATIC Group active in Vienna were decommissioned on 31 December 2014. NOVOMATIC was forced to take this step, as local authorities – contrary to the opinion of leading experts on constitutional law – had threatened strict enforcement measures against the operation of the devices prior to the turn of the year. From the beginning of the year 2015 onwards, therefore, legal certainty was not sufficient to warrant further operation.

The NOVOMATIC Group's companies with concessions in Vienna submitted an individual request to the Constitutional Court requesting a review of, in particular, the constitutionality of the transitional periods stipulated by the Gaming Act, as well as of the matter of legal competence. In a decision dated 2 April 2015, the Constitutional Court rejected this request and confirmed that the provisions of the Gaming Act are not unconstitutional.

The closure costs incurred due to decommissioning of the gaming devices at the affected Viennese locations amounted to a total of EUR 12.7 million. These costs include the impairment of tangible assets, personnel costs, continued rental payments, and financial precautions related to prior rental properties. All of these costs are accounted for in the consolidated financial statements for 2014, except for the ones that had already been included in the financial statements for previous periods.

## **Online and Mobile Gaming (B2C)**

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

The companies of the Greentube Group with activities in the B2C segment continued their positive business development in 2014. In particular the gaming platform Gametwist, offered by subsidiary Funstage GmbH, achieved a substantial increase in revenues and earnings, thereby contributing strongly to this positive development.

And with the June 2014 acquisition of the high-tech company Dazzletag Entertainment Ltd, a B2C provider of online casino and bingo products, NOVOMATIC was once again able to successfully expand its activities within the online gaming segment.

## **Germany**

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

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

The number of casino locations in Germany declined compared with 2013. Three locations operated by the Ostsee-Spielbanken were closed due to the expiration of their license. In addition to this, Spielbank Frankfurt was shut down during 2014 due to poor takings figures.

The German operating companies Extra Games Entertainment GmbH and BPA Freizeit und Unterhaltungsbetriebe GmbH, which operate in the market for commercial machine gaming, as well as Admiral Play GmbH, were able to achieve very positive business development. Here, Extra Games Entertainment GmbH deserves special mention for having slightly increased the number of locations operated while significantly growing its revenues.

In contrast to this positive operating development, it was once more necessary to record an impairment loss during fiscal year 2014. Over the past few years, legal provisions have been enacted (including the First State Treaty amending the State Treaty regarding Gambling in Germany [GlüÄndStV], related state laws on gaming salons, and amendments to the Gaming Ordinance) that, after multi-year transitional periods, result in significantly stricter overall conditions for the industry.

At this time, it is difficult to foresee the future legal interpretation of the new legal provisions, as well as the administrative practices that will ultimately be implemented. Because of this, as well as due to complex and inconsistent political discussions currently taking place, the legal and business-related implications for the gaming facilities remain highly uncertain.

The results of an impairment test carried out during 2013 entailed impairment losses of EUR 38.7 million for the three German operating companies with activities in the area of commercial machine gaming. During fiscal year 2014, the German gaming facilities were evaluated once more. This impairment test was performed together with external service providers, and its scope included all slot arcades run by the operating companies active in the area of commercial machine gaming. The main focus was on scenarios involving site shutdowns and the withdrawal of concessions. The impact of more restrictive legal interpretations on the gaming facilities was investigated.

All in all, the identified impairment loss for all three companies amounted to EUR 10.7 million. The largest share of this relates to

the impairment of usage rights for electronic casinos (intangible assets) as well as an impairment of property, plant and equipment (in particular properties and buildings, as well as fixtures, furniture and office equipment). The re-evaluation led to the conclusion that a value recovery was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the required value recovery for all three companies amounted to EUR 5.9 million.

## **Italy**

All gaming operators active in Italy, among them NOVOMATIC, are affected by the repeated and significant increases in gaming-related taxes. In addition to this, the economic environment in Italy, which has been strongly affected by the recession, has resulted in a reduced willingness to consume due to lower disposable incomes. Despite these unfavorable circumstances, the Italian gaming operators within the NOVOMATIC Group were able to increase their revenues significantly during the reporting period. This was in part due to new, attractive products, and a consistent optimization of locations likewise had a favorable impact.

The results of an impairment test carried out during 2013 entailed impairment losses of EUR 15.4 million for the Italian Group companies belonging to the Gaming Operations segment. During fiscal year 2014, a renewed evaluation of the Italian gaming facilities identified impairment losses of EUR 10.7 million. This impairment was fully recorded in the item "Property, plant and equipment." The re-evaluation came to the conclusion that, for certain gaming facilities, a value recovery was required, as the assessment regarding the impact on the individual locations in question had changed. The according value recovery amounted to EUR 2.6 million.

In connection with proceedings against G. Matica Srl., a NOVOMATIC Group company headquartered in Italy, a provision in the amount of EUR 47.3 million had been established during fiscal year 2013. Following submission of a settlement offer for the dispute, the proceedings were officially concluded in November of 2014. The settlement amount paid corresponds exactly to the provisions established in 2013. In December of 2014, the Italian tax authorities confirmed in writing that the settlement amount had been accepted for tax purposes and therefore contributed to a reduction of the applicable tax assessment basis.

## **Great Britain**

In June of 2014, NOVOMATIC succeeded in entering the British market for electronic casinos (Adult Gaming Centers or AGC). The two companies acquired as part of this effort, Luxury Leisure Unlimited and S.A.L. Leisure Limited, are regarded as being among the best providers within the British AGC industry by virtue of their refined ambiance.

The acquired companies operate more than 80 gaming facilities in England and Scotland and employ approximately 850 individuals. The consideration related to this acquisition amounts to EUR 70.3 million and was paid fully in cash. With this acquisition, NOVOMATIC's market position in one of Europe's largest gaming markets was strengthened for the long term.

## **Netherlands**

During the year under review, the NOVOMATIC Group continued on its course for growth. In January of 2014, Novo Gaming Netherlands B.V., a wholly owned subsidiary of NOVOMATIC, acquired three companies owned by Christoffel Groep B.V. The subject of the transaction included the Christoffel Group's gaming facility operations (nine electronic casinos) and single-site operations (470 locations). The acquisition strengthens the NOVOMATIC Group's position in the Dutch market for machine placement while at the same time facilitating entry into the Dutch gaming salon market.

## **CEE/SEE**

The companies belonging to the Gaming Operations segment within the regions of Central Eastern Europe (CEE) and South Eastern Europe (SEE) were able to achieve highly satisfactory business development during fiscal year 2014. Increases came not

only in the total number of locations, but also in the number of gaming devices operated as well as in revenues.

2013 saw acquisition of Casino FlaminGo, located in Macedonia. This casino complex includes 450 gaming machines and 30 gaming tables, as well as an integrated five-star hotel. During fiscal year 2014, impairment tests were carried out, resulting in identified impairment losses of EUR 4.8 million. These were allocated almost equally to the items “goodwill” and “brands and patents” (both intangible assets). The number of gaming facility locations in Macedonia was increased significantly over the previous year, and machine revenues came in substantially higher.

In 2014, machine revenues in Croatia increased to EUR 30.3 million, due mainly to the inauguration of two further locations as well as to improved average takings per gaming device.

In Albania, the number of gaming facilities decreased to 68 locations in 2014. Nevertheless, the revenues showed a significant improvement over the previous year’s level. This positive development is mainly the result of the almost complete shutdown of illegal gaming salons operated by competitors in Albania since October 2013.

The Romanian Group companies belonging to the Gaming Operations segment were able to increase their revenues slightly during the reporting period, and the number of facilities operated was also increased compared with 2013. Impairment tests identified impairment losses of EUR 5.6 million for the Romanian operating companies. This was fully included in the item “goodwill.”

In Latvia, the most important market within the CEE region, the two subsidiaries Admiral Klubs SIA and Alfor SIA with a total of 125 gaming facilities succeeded in defending their strong market position. The development of machine revenues in Latvia was positive, posting an increase to EUR 72.4 million.

In January of 2014, UAB Azarto technika, a company in which NOVOMATIC holds a stake of 80 percent, acquired 50 percent stakes in both UAB VSGA and UAB Taxillus. Via a capital increase, the stake held by NOVOMATIC in both companies was increased to 70 percent. UAB VSGA and UAB Taxillus together constitute a casino group in Lithuania in which UAB VSGA holds an open-ended casino license, while UAB Taxillus operates under a gastronomy license. The newly acquired companies currently operate four casino locations in Lithuania.

## **INTERNATIONAL**

### **Peru**

The Peruvian gaming market is experiencing strong competitive pressure. Many competitors are investing in modern gaming devices, player loyalty programs and player tracking systems, which is having a growing effect on the profitability of gaming operations.

The number of gaming facilities operated by NOVOMATIC in Peru remained stable during the reporting period. Despite the difficult market environment, machine revenues improved slightly to EUR 24.2 million.

### **Chile**

During 2014, the Group made the strategic decision to sell its stake in Monticello Grand Casino & Entertainment World, one of the largest casinos in Latin America, to the former co-owner Sun International Limited. After the elimination of individual suspensive conditions, the sale of the shares took legal effect in November of 2014.

The sale of the 50 percent stake in Novosun S.A. resulted in a profit of EUR 32.2 million. In the NOVOMATIC consolidated financial statement for 2014, this sum is recorded fully within the financial result.



## Other

The external revenues in the segment “Other” amounted to EUR 17.1 million in the year under review, representing a significant increase compared to the previous year’s level of EUR 6.0 million.

### **I-New Group**

I-New Unified Mobile Solutions AG (I-New), headquartered in Mattersburg, is one of the leading global providers for mobile virtual telephony network operators (MVNO). With its subsidiaries, the I-New Group was the first telecommunications provider to offer groundbreaking innovations in a slowing telecommunications market. The company’s technology is now in use on almost all continents.

Over the past few years, I-New has benefited in particular from the dynamic development in Latin America and is now well-established with its MVNO solution. With renowned customers such as Virgin Mobile and Falabella (the largest retailer in Latin America), successful projects have been carried out in markets such as Chile, Colombia and Mexico. Further countries such as Peru, Ecuador, Bolivia and Argentina have only recently been added. In several countries in Africa and Southeast Asia, an increasing trend towards liberalization has been observed recently, turning these regions into new target markets for the Group. The I-New Group has around 130 employees in 5 countries. During the reporting period, the Group achieved revenues of EUR 16.8 million. Its export ratio is in excess of 90 percent, with the value created mostly in Austria.

The integration of I-New into the NOVOMATIC Group offers the opportunity to access untouched markets via new sales channels and to realize synergies in the area of mobile gaming and entertainment.

## **5. Branches**

During the reporting period, no branches were registered in the commercial register.

## **6. Individual Financial Statements of NOVOMATIC AG (Condensed Version in Accordance with the Austrian Commercial Code [UGB])**

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

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

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

### **Earnings Position**

During the past fiscal year, NOVOMATIC AG increased its revenues over the previous year’s level by 4.7 percent to total EUR 74.0 million. The most significant deviation from previous figures was in licensing income from affiliated companies.

Personnel expenses increased from the previous year's level to EUR 17.4 million. This was due to the greater number of employees, as well as to an increase in the remuneration of NOVOMATIC AG's governance bodies.

Other operating expenses increased by EUR 13.6 million from the previous year's level. Apart from higher expenses for research and development as well as higher advertising costs, the expenses for legal services, auditing and consulting also increased.

Earnings before interest, taxes, and depreciations and amortizations (EBITDA) dropped to EUR 20.5 million, and the EBITDA margin came in at 27.7 percent.

Depreciations decreased slightly by EUR 2.5 million to EUR 29.2 million during fiscal year 2014.

The financial result decreased significantly against the previous year by EUR 15.3 million to EUR 25.0 million, which was essentially due to lower income from shareholdings.

## FINANCIAL KEY FIGURES NOVOMATIC AG

in million EUR	2014	2013	Change
Sales revenue	74.0	70.7	3.4
Personnel cost	17.4	11.4	6.0
Depreciations and amortizations	29.2	31.7	-2.5
Other operating expenses	46.3	32.7	13.6
EBITDA	20.5	34.6	-14.1
EBITDA margin in %	27.7%	48.9%	-21.2%
Financial result	25.0	40.3	-15.3
Annual profit	20.2	49.8	-29.5

After the addition of income taxes amounting to EUR 3.9 million, taking the Group taxation into consideration, the annual profit was EUR 20.2 million compared to EUR 49.8 million in 2013.

## Assets Position

Fixed assets increased by EUR 25.6 million over the previous year to total EUR 1,059.5 million. This increase was mainly attributable to financial assets, in particular to the item "Investments in affiliated companies."

Current assets increased by EUR 64.7 million against the previous year to EUR 304.2 million, which was mainly due to increased bank deposits. Apart from return flows from the sale of the 50 percent stake in Novosun S.A. in Chile and the effects of central cash pooling at NOVOMATIC AG, this position also includes liquid funds saved up to repay the bond that matured in January of 2015.

The company's equity capital remained unchanged at EUR 26.0 million. With capital reserves of EUR 1.0 million, retained earnings of EUR 1.6 million and a balance sheet profit of EUR 263.3 million being taken into consideration, equity capital declined to a total of EUR 291.9 million. Equity capital's share of total capital now amounts to 21.2 percent, compared to 24.3 percent in the previous year.

While provisions were down slightly, liabilities increased from EUR 950.4 million to EUR 1,067.5 million. The bond issued in June of 2014 increased the liabilities from bonds from EUR 600.0 million to EUR 800.0 million. A substantial share of the proceeds from this issue was used to optimize the financing structure, allowing us to reduce bank liabilities by EUR 132.7 million during the reporting year to a current amount of EUR 82.0 million.

The increase in liabilities to affiliated companies is mainly due to the successful business activities of the companies included in

the NOVOMATIC cash pooling, which is managed by NOVOMATIC AG.

During the past fiscal year, NOVOMATIC AG's balance sheet total increased by 7.3 percent to EUR 1,377.2 million.

## 7. Non-Financial Performance Indicators

### Employee Issues

During the 2014 reporting year, the number of employees in the NOVOMATIC Group increased by 14.2 percent to total 18,293 employees (headcount as of the balance sheet date, 31 December 2014). This increase reflects the continuation of the Group's growth trajectory. NOVOMATIC AG had 94 employees as of the balance sheet date.

As a company with a strong international orientation, NOVOMATIC accords considerable importance to diversity in the structure of its employees. This is reflected in the high number of female employees at all levels of the hierarchy, as well as in the considerable number of employees of different nationalities. In Austria, approximately 37 percent of all employees were women; in the foreign subsidiaries, this share was approximately 48 percent. The age structure is well balanced, and all age groups are well represented. The average age at the Austrian companies is approximately 37 years.

The well-being of employees enjoys high priority within the NOVOMATIC Group. 2014 saw the initiation of an employee satisfaction survey aimed at improving working conditions and providing employees with the opportunity to actively participate in shaping their working environment. Another employee survey related to occupational health management, which was likewise carried out during the year under review, focused on the issue of psychological stress at the workplace. Thanks to a very high response rate of more than 70 percent, it was possible to identify potentially harmful stress factors caused by adverse working conditions. Subsequently, health circles were formed to determine the employees' needs. The results were then used to develop a tailor-made health program.

The optimization of apprenticeship training was once again a key issue for NOVOMATIC during 2014. For the first time ever, an outdoor training session with apprentices was organized, during which different exercises were carried out. These aimed at strengthening the bonds between apprentices within the company and ensuring closer relationships between the individual departments. In order to guide the apprentices during their entire apprenticeship periods, regular reports as well as feedback conversations with the instructors have been introduced. In addition to this, there is rotational feedback when they switch from one department to the next, as well as a future-oriented career conversation upon completion of the apprenticeship. Furthermore, NOVOMATIC continues to promote a program offering an apprenticeship together with a Matura [the Austrian school-leaving exam required for university entry]. 35 percent of the apprentices at NOVOMATIC now avail themselves of this option, thereby keeping the doors open for a further academic career.

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

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

NOVOMATIC places great importance in an appreciative and respectful approach to dealing with applicants and, thus, potential future employees. The NOVOMATIC career portal ([careers.novomatic.com](http://careers.novomatic.com)) that went online in 2013 is being constantly optimized in order to offer potential candidates a full overview of the career opportunities within the NOVOMATIC Group. At the same time,

it aims to provide optimum support for in-house recruiting efforts. These continued efforts were acknowledged by an international study: in a survey analyzing the recruiting quality of the 500 largest employers in Austria, Germany and Switzerland, NOVOMATIC made it into the top ten of the Austrian industry ranking and was awarded the silver seal of approval for "Best Recruiter." This sincere and professional approach to dealing with candidates is also attested to by how quickly open positions are filled.

## 8. Significant Events after the Balance Sheet Date

NOVOMATIC AG's bond with a total amount of EUR 200 million, which was due on 22 January 2015, was repaid as agreed.

The NOVOMATIC Group's companies with concessions in Vienna submitted an individual request to the Constitutional Court, in order to review in the constitutionality of the new legal provisions regarding "low-stakes gaming" ("kleines Glücksspiel") in Vienna. With its decision dated 2 April 2015, the Constitutional Court rejected this request and confirmed that the provisions of the Gaming Act are not unconstitutional.

## 9. Prospective Development of the Group

For the coming years, the analysts at GBGC project stable development of gaming expenditures. In the wake of the international economic recovery and the accompanying increase in disposable income, an average annual increase in global gaming expenditures by 2.5 percent is expected.

The NOVOMATIC Group will continue its successful growth strategy, which aims to achieve market-leading positions in the large regulated markets. For fiscal year 2015, a further increase in revenues is expected. Due to the decommissioning of the gaming devices in Vienna, this growth will, however, most likely be lower than it has been recently. In addition to this, the altered regulatory environment within the federal capital will have a sustained negative impact on the Group's earnings. In part, however, this decline may be cushioned by the planned inauguration of a casino location within Vienna's Prater. As this management report was being prepared, the according concession decision had not yet taken legal effect due to a complaint brought forward by a losing competitor. A decision is expected during the year 2015.

In Germany, generally negative market development is expected for 2015. The altered regulatory conditions will most likely result in a lower willingness to invest within the German gaming industry. In light of these developments, the producing German Group companies are expected to post a slight decline in revenues. The German Group companies belonging to the Gaming Operations segment will, however, be able to increase their revenues through further acquisitions.

In the core markets of Italy and Great Britain, an increase in revenues through continued organic growth as well as acquisitions is expected. It should, however, be noted that the renewed increase in gaming-related taxes as of January 2015 will likely have a negative impact on the earnings situation in Italy. There, an additional tax burden in the low double-digit million euro range is expected.

In the CEE and SEE markets, an increase in revenues is expected due to the recently acquired companies as well as to the continued rollout of VLTs.

For the Group companies located in Latin American countries, stable revenue development is expected for the fiscal year 2015. This is, however, strongly dependent on the further macroeconomic development in this region.

Positive development of the online gaming segment is expected to continue during 2015. Here, the focus is mainly on strengthening the position within the European online gaming market and expansion into new markets. In this context, the NOVOMATIC Group companies will benefit from the ongoing trend toward social gaming and mobile gaming.

## 10. Risk Management

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

### Risk Management System

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

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

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

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

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

### Control Environment

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

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

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

## **Risk Assessment**

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

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

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

## **Control Activities**

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

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

## **Information and Communication**

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

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

## **Monitoring**

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

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

## Compliance

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

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

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

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

## Significant Risks and Uncertainties

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

### Business and Market Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

Some of the NOVOMATIC Group's companies are located in parts of the world where the weather conditions are extreme, which are subject to an elevated risk of natural catastrophes, or where terrorist attacks may occur. These factors could result in the temporary or permanent interruption of NOVOMATIC's business activities. The NOVOMATIC Group cannot guarantee that it will be able to insure itself against such risks. For reasons of efficiency, the NOVOMATIC Group has concentrated a considerable share of its production in a few manufacturing locations. Production at these manufacturing locations is subject to numerous operative risks, including machine failure, labor shortages, accidents, natural catastrophes and power outages. The occurrence of such risks could negatively impact NOVOMATIC's business activities and result in financial losses as well as legal liabilities.

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

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

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

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

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

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

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

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

## Legal and Geographic Risks

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

The NOVOMATIC Group conducts business in more than 70 countries. Some of these countries are politically or economically unstable, which subjects NOVOMATIC to certain risks. Social unrest or strikes could force NOVOMATIC to interrupt or halt its business activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The NOVOMATIC Group holds information about its customers that is in part sensitive in nature (name, address, age, bank data and gaming tendencies) and must adhere to the strict data protection rules stipulated by the EU and other jurisdictions. Despite the security systems implemented by NOVOMATIC, there is the risk that customer data could be retrieved and/or used illegally, either

by employees or by customers or third parties. There is also the risk that customer data might be deleted, disclosed or edited involuntarily or in violation of data protection regulations. Should NOVOMATIC or one of its external service providers transmit customer data without sufficient protection, or should confidential customer data be lost in any other way, NOVOMATIC might be held liable under data protection laws, which would also damage the Group's reputation.

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

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

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

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

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

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

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

## **11. Research and Development**

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

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

In developing the newest generation of cabinet variants and models, which kick off new industry trends, industrial design is an extremely important factor. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video lottery and AWP (Amusement with Prizes) gaming markets with control possible via up to five monitors, skill-based roulette facilities with state-of-the-art ball rejection mechanisms, the use of state-of-the-art curved displays with a size of up to 65 inches to simulate

special effects such as roller strip extensions and novel games, VIP terminals with giant screen technology, and dynamic lighting effects via LED technology. In terms of data security, increasing emphasis is being placed on proprietary physical random number generators that use quantum mechanics.

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

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

The global importance of intellectual property protection is on the rise. With more than 2,700 registered IP trademarks and in excess of 100 registrations per year, this area is paid special attention. The Group is constantly developing new products and product variations, resulting in over 300 new gaming variants per year. With the help of software development kits (SDKs), it is possible to add games developed by third parties (who use these SDKs) to the portfolio immediately.

NOVOMATIC’s innovative prowess receives frequent public recognition in the form of awards.

## 12. Acknowledgements

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

Gumpoldskirchen, am 17. April 2015

**Mag. Harald Neumann**  
CEO

**DI Ryszard Presch**  
Deputy CEO

**Mag. Thomas Graf**  
CTO

**Mag. Peter Stein**  
CFO

## Consolidated Balance Sheet as of 12/31/2014

EUR m	Notes	12/31/2014	12/31/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	(1)	437.2	348.5 <sup>1</sup>
Property, plant and equipment	(2)	799.0	810.3
Investment property	(3)	18.8	19.2
Investments in associated companies	(4)	0.2	76.9
Non-current financial assets	(5)	15.1	16.7
Deferred tax assets	(6)	96.5	71.9
Other non-current assets	(7)	111.1	139.7
		<b>1,477.9</b>	<b>1,483.1</b>
<b>Current assets</b>			
Inventories	(8)	179.4	164.7
Trade receivables, other receivables and assets	(9)	287.9	231.2
Current tax receivables	(6)	27.9	21.9
Current financial assets	(10)	29.0	36.1
Cash and cash equivalents	(11)	627.7	417.6
Assets held for sale	(12)	2.2	6.8
		<b>1,153.5</b>	<b>878.3</b>
<b>Total ASSETS</b>		<b>2,631.4</b>	<b>2,361.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	(13)	26.0	26.0
Capital reserve	(14)	1.0	1.0
Retained earnings	(15)	1,139.3	928.8 <sup>1</sup>
Revaluation reserve	(16)	-9.4	-0.5
Currency translation adjustment	(17)	-30.9	-32.4 <sup>1</sup>
		1,125.9	922.9
Non-controlling interests	(18)	45.7	29.5
		<b>1,171.6</b>	<b>952.4</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	(19)	636.5	825.9
Non-current provisions	(20)	53.3	52.4
Non-current tax liabilities	(6)	19.3	16.8
Deferred tax liabilities	(6)	58.3	42.8 <sup>1</sup>
Other non-current liabilities	(21)	21.2	27.3
		<b>788,6</b>	<b>965,1</b>
<b>Current liabilities</b>			
Current financial liabilities	(22)	270.1	26.7
Current provisions	(23)	42.9	90.2
Current tax liabilities	(6)	40.6	30.5
Trade payables and other liabilities	(24)	317.6	296.5 <sup>1</sup>
		<b>671.2</b>	<b>443.9</b>
<b>Total EQUITY AND LIABILITIES</b>		<b>2,631.4</b>	<b>2,361.4</b>

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

## Consolidated Income Statement for Fiscal Year 2014

EUR m	Notes	01–12/2014	01–12/2013
<b>Revenues</b>	<b>(25)</b>	<b>1,977.6</b>	<b>1,684.1</b>
Changes in inventories of finished goods and work in progress	(26)	11.4	20.1
Own work capitalized	(26)	111.9	123.1
Other operating income	(27)	111.2	74.8 <sup>1</sup>
Cost of material and other purchased services	(28)	-252.8	-235.5
Personnel costs	(29)	-512.4	-431.3
Amortization, depreciation and impairment of intangible assets, property, plant and equipment, and investment property	(30)	-284.1	-305.2 <sup>1</sup>
Gaming taxes and betting fees	(31)	-178.0	-146.8
Other operating expenses	(32)	-621.5	-608.5
<b>Operating profit</b>		<b>363.3</b>	<b>174.8</b>
Share of profit/loss of associated companies	(33)	2.0	-0.2
Interest income	(34)	8.1	10.4
Other financial income	(35)	46.1	6.4
Interest expenses	(36)	-38.3	-39.3
Other financial expenses	(37)	-13.5	-32.1
Currency exchange gains/losses from intra-group financing	(38)	0.6	-14.1
<b>Financial result</b>		<b>5.1</b>	<b>-68.9</b>
<b>Earnings before taxes</b>		<b>368.4</b>	<b>105.9</b>
Income taxes	(39)	-91.4	-50.8
<b>Profit after taxes</b>		<b>276.9</b>	<b>55.1</b>
thereof attributable to non-controlling interests		5.0	-7.8
thereof attributable to shareholders of the parent (net profit)		272.0	62.9

<sup>1</sup>Adjustment of previous year's figures due to changes in presentation

## Consolidated Statement of Comprehensive Income for Fiscal Year 2014

Mio. EUR	01–12/2014	01–12/2013
<b>Profit after taxes</b>	<b>276.9</b>	<b>55.1</b>
<b>Amounts that will be reclassified to income statement in subsequent periods</b>		
Currency translation	1.8	-5.2
Market value of financial assets available for sale	-11.6	-7.6
Therein minority income taxes	2.7	1.8
<b>Amounts that will not be reclassified to income statement in subsequent periods</b>		
Remeasurement of the net defined benefit liability	-2.7	0.2
Therein minority income taxes	0.7	-0.1
<b>Other comprehensive income after taxes</b>	<b>-9.1</b>	<b>-10.8</b>
<b>Total comprehensive income</b>	<b>267.8</b>	<b>44.4</b>
thereof attributable to non-controlling interests	5.3	-8.6
thereof attributable to shareholders of the parent (net profit)	262.5	53.0

## Consolidated Cash Flow Statement for Fiscal Year 2014

EUR m	01-12/2014	01-12/2013
<b>Operating profit</b>	<b>363.3</b>	<b>174.8</b>
Loss (+) / Gain (-) from the disposal of fixed assets	-5.1	-0.7
Depreciation (+) / Appreciation (-) of fixed assets	284.5	301.6
Other non-cash income and expenses	-41.3	-34.3
Interest received and interest-related income	8.8	11.5
Taxes paid	-104.0	-87.3
	<b>506.3</b>	<b>365.6</b>
Increase (-) / Decrease (+) in inventories	-4.6	-24.6
Increase (-) / Decrease (+) in receivables	-1.3	17.8
Increase (+) / Decrease (-) in provisions	-53.0	58.3
Increase (+) / Decrease (-) in liabilities	-2.9	15.5
<b>Cash flow from operating activities</b>	<b>444.5</b>	<b>432.7</b>
Proceeds from the disposal of fixed assets (excluding financial assets)	46.9	40.6
Proceeds from the disposal/repayment of financial assets	9.3	5.1
Proceeds from the disposal of consolidated companies, net of cash	37.2	30.3
Acquisition of intangible assets, property, plant and equipment	-251.9	-264.4
Acquisition of financial assets and other financial investments	-5.0	-29.1
Acquisition of consolidated companies, net of cash	-134.0	-66.4
Net proceeds from associated companies	101.7	0.0
<b>Cash flow from investing activities</b>	<b>-195.7</b>	<b>-283.8</b>
Dividend payments	-41.6	-51.8
Payments from non-controlling interests	0.0	1.2
Expenditures for change in interests in subsidiaries (without change of control)	-9.6	-12.7
Proceeds from issuance of bonds	198.9	248.9
Payments for the redemption of bonds	-9.9	-7.8
Expenditures/Proceeds from bank loans and financial liabilities	-149.3	-240.0
Interest paid and interest-related expenses	-36.3	-39.4
<b>Cash flow from financing activities</b>	<b>-47.8</b>	<b>-101.6</b>
<b>Net change in cash and cash equivalents</b>	<b>201.0</b>	<b>47.3</b>
Currency translation adjustments	8.8	3.5
Changes in cash and cash equivalents due to changes in scope of consolidation	-0.2	-0.4
<b>Net change in cash and cash equivalents</b>	<b>209.6</b>	<b>50.3</b>
Cash and cash equivalents at the beginning of the period	417.6	367.2
Cash and cash equivalents at the end of the period	627.2	417.6
<b>Net change in cash and cash equivalents</b>	<b>209.6</b>	<b>50.3</b>



## Consolidated Statement of Changes in Equity for Fiscal Year 2014

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment			
<b>Balance as of 01/01/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>928.8</b>	<b>-0.5</b>	<b>-32.4</b>	<b>922.9</b>	<b>29.5</b>	<b>952.4</b>
1) Total comprehensive income								
Profit after taxes	0.0	0.0	272.0	0.0	0.0	272.0	5.0	276.9
Other comprehensive income	0.0	0.0	-2.0	-8.9	1.5	-9.5	0.3	-9.1
2) Dividend Payments	0.0	0.0	-40.0	0.0	0.0	-40.0	-1.6	-41.6
3) Change in non-controlling interests	0.0	0.0	-15.6	0.0	0.0	-15.5	5.9	-9.6
4) Changes in the scope of consolidation	0.0	0.0	0.1	0.0	0.0	0.1	6.6	6.6
5) Obligation from written put-options over non-controlling interests	0.0	0.0	-3.9	0.0	-0.1	-4.0	0.0	-4.0
<b>Balance as of 12/31/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>1,139.3</b>	<b>-9.4</b>	<b>-30.9</b>	<b>1,125.9</b>	<b>45.7</b>	<b>1,171.6</b>

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment			
<b>Balance as of 01/01/2013</b>	<b>26.0</b>	<b>1.0</b>	<b>926.5</b>	<b>5.3</b>	<b>-27.3</b>	<b>931.4</b>	<b>35.8</b>	<b>967.3</b>
1) Total comprehensive income								
Profit after taxes	0.0	0.0	62.9	0.0	0.0	62.9	-7.8	55.1
Other comprehensive income	0.0	0.0	0.2	-5.8	-4.4	-10.0	-0.8	-10.8
2) Dividend Payments	0.0	0.0	-48.0	0.0	0.0	-48.0	-3.8	-51.8
3) Change in non-controlling interests	0.0	0.0	-7.7	0.0	0.0	-7.7	-3.9	-11.5
4) Changes in the scope of consolidation	0.0	0.0	-0.4	0.0	-0.6	-1.0	9.9	8.9
5) Obligation from written put-options over non-controlling interests	0.0	0.0	-4.7	0.0	0.0	-4.7	0.0	-4.7
<b>Balance as of 01/01/2013</b>	<b>26.0</b>	<b>1.0</b>	<b>928.8</b>	<b>-0.5</b>	<b>-32.4</b>	<b>922.9</b>	<b>29.5</b>	<b>952.4</b>

# » NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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As of 31 December, 2014

## Information about the Company

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

The NOVOMATIC Group is a globally operating, integrated gaming technology and entertainment company. The company develops, manufactures and distributes gaming products, lottery technologies and cross-linked system solutions for national and international gaming and betting markets. The NOVOMATIC Group operates more than 1,200 venues. Over the past few years, the importance of casinos, in particular, has increased in this business segment along with that of electronic slot machines and sports betting outlets.

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

## Accounting Principles

The present consolidated financial statement as of 31 December 2014 was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of section 245a para 1 Austrian Commercial Code have likewise been fulfilled.

The fiscal year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign company included in the consolidated financial statement for 2014 were prepared as of the balance sheet date of the consolidated financial statements.

The consolidated financial statement is done in Euros. For the purpose of clarity, all items in the consolidated financial statement are shown in millions of Euros. Due to the financial rounding of values and percentages, insignificant discrepancies may arise.

## Application of new and amended accounting standards and interpretations in 2014

The following new or revised accounting standards and interpretations – adopted by EU legislation – were implemented for the first time in fiscal year 2014:

- Amendment to IAS 19 “Employee Benefits”
- Revision to IAS 27 „Separate Financial Statements“
- Revision to IAS 28 „Investments in Associates and Joint Ventures“
- Amendment to IAS 32 „Financial Instruments: Disclosure and Presentation“
- Amendment to IAS 36 „Impairment of Assets“
- Amendment to IAS 39 „Financial Instruments: Recognition and Measurement“
- IFRS 10 „Consolidated Financial Statements“
- IFRS 11 „Joint Arrangements“
- IFRS 12 „Disclosure of Interests in Other Entities“
- Amendment to IFRS 10,11,12 „Transitional Guidelines“
- IFRIC 21 „Levies“

IFRS 10 outlines uniform control principles for all entities and therefore creates a consistent basis for including them in the consolidated financial statements. Furthermore, this accounting standard also contains guidelines that help determine whether control exists. Thus, IFRS 10 replaces the provisions on control and consolidation included in IAS 27 as well as SIC 12 “Special Purpose Entities.” The use of IFRS 10 did not cause any changes in the consolidation method and consequently had no impact on the scope of consolidation.

IFRS 11 deals with the accounting methods for arrangements where entities have joint control by means of a joint venture or joint operations. Application of IFRS 11 did not result in any changes to the previous scope of consolidation.

IFRS 12 summarizes the disclosures about consolidated and not consolidated entities in a separate standard. The use of the standard IFRS 12 led to additional disclosure requirements for the consolidated financial statements.

All other new or amended standards and interpretations caused no significant changes in the consolidated financial statements.

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

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

Standard / Interpretation	Obligatory application for the fiscal years starting on
Amendment to IAS 1 „Presentation of Financial Statements“	1 January 2016 (not yet adopted as EU law)
Amendments to IAS 16 and IAS 38 „Clarification of Acceptable Methods of Depreciation and Amortization“	1 January 2016 (not yet adopted as EU law)
IFRS 9 „Financial Instruments“	1 January 2018 (not yet adopted as EU law)
Amendments to IFRS 10 and IAS 28 „Sales or Contributions of Assets between an Investor and its Associate/Joint Venture“	1 January 2016 (not yet adopted as EU law)
Amendments to IFRS 11 „Acquisition of an Interest in a Joint Operation“	1 January 2016 (not yet adopted as EU law)
IFRS 14 „Regulatory Deferral Accounts“	1 January 2016 (not yet adopted as EU law)
IFRS 15 „Revenue from Contracts with Customers“	1 January 2017 (not yet adopted as EU law)
Annual Improvements to IFRS 2012 2014	1 January 2016 (not yet adopted as EU law)

IFRS 9 deals with the classification, recognition and measurement of financial assets and liabilities. In addition, it includes an expected loss impairment model and modified regulations regarding hedge accounting that enable entities to better reflect risk management activities and to measure effectiveness more easily.

The new IFRS 15 regulates recognition of revenue and applies to all customer contracts. According to IFRS 15, revenue should be recognized to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The revenue is recognized when the power of disposal of the goods or services passes to the customer.

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

## Scope of Consolidation

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

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

During 2014, the Group acquired or founded the following subsidiaries:

- Astra Casino Gaming Ltd., UK
- Astra Casino Gaming (One) Ltd., UK
- Astra Games (One) Ltd., UK
- Casino Admiral Holland B.V., Netherlands
- Casino Admiral Zeeland B.V., Netherlands
- AK "COMET" d.o.o. Zivinice, Bosnia-Herzegovina
- Dazzletag Entertainment Ltd., Malta
- Elam Group Electronic Amusement B.V., Netherlands
- Eurocoin Gaming B.V., Netherlands
- GesGiGames S.L.U., Spain
- GiGames S.L., Spain
- GiGames Norte S.L., Spain
- I-NEW Unified Mobile Solutions S.A. de C.V., Mexico
- Loontjens Automaten B.V., Netherlands
- Recreatieprojecten Holland B.V., Netherlands
- Recreatieprojecten Zeeland B.V., Netherlands
- Luxury Leisure Ultd., UK
- Novo Gaming Exploitatie B.V., Netherlands
- Ruta 777 S.L., Spain
- SAL Leisure Ltd., UK
- SO.GE.M.A. S.p.A., Italy
- UAB Taxillus, Lithuania
- UAB VSGA, Lithuania

The following subsidiaries changed from non-consolidated to fully consolidated subsidiaries for the first time as of 1 January 2014:

- Novo Gaming Development B.V. (previously: JVH exploitative Meijel B.V.), Netherlands
- NOVOMATIC LatAm Holding S.L.U., Spain
- Fenikss Slots SRL, Romania

In Italy and in the Netherlands, subsidiaries were merged.

Affiliated companies with only marginal influence on the Group's financial position and operational results are not included in the scope of the fully consolidated companies but are shown as financial assets at acquisition costs.

Therefore, the scope of consolidation exhibits the following development:

Scope of consolidation	fully-consolidated	valued at-equity	Joint operations
Balance as of 12/31/2013	168	3	0
First-time inclusion in 2014	26	0	1
Disposed of in 2014	-6	-2	0
Merged in 2014	-10	0	0
Switched from at-equity valuation to fully-consolidated in 2014	0	0	0
Balance as of 12/31/2014	178	1	1
of which non-Austrian companies	157	0	1

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
SOWSK	"SoWhat!" s.r.o., Slovakia	GTA	70.00%	70.00%
ADMICS	Admiral d.o.o., Serbia	NOVOC	100.00%	100.00%
ACEAT	Admiral Casinos & Entertainment AG, Austria	NAG	100.00%	100.00%
AKMSI	Admiral d.o.o., Slovenia	NOVSI	100.00%	100.00%
AGMIT	Admiral Entertainment Srl., Italy	ADRIT	100.00%	100.00%
ADGAES	Admiral Gaming Andalucia S.A., Spain	NOGES	98.81%	98.81%
AIIT	Admiral Interactive S.r.l., Italy	AGMIT	100.00%	100.00%
ALPDE	Admiral Play GmbH, Germany	NSMLDE	95.00%	95.00%
ADSLES	Admiral Slots S.A., Spain	NOGES	97.89%	97.89%
ASBUK	Admiral Sports Betting Ltd., UK	ASW	100.00%	100.00%
ASWDE	Admiral Sportwetten GmbH, Germany	ASW	100.00%	100.00%
ASW	Admiral Sportwetten GmbH, Austria	AGI	100.00%	100.00%
ADMILV	Admiralu Klubs SIA, Latvia	AGI	60.00%	60.00%
AGVIT	Adria Gaming Vicenza S.r.l., Italy	ALLIT	100.00%	100.00%
ADRIAL	Adriatik Game Sh.A., Albania	EAGAL	100.00%	100.00%
AGISA	AGI Africa (Pty) Ltd., South Africa	AGI	100.00%	100.00%
AAGHU	AGI American Games Kft., Hungary	AGIHU / GAHHU	99.45% / 0.55%	99.45% / 0.55%
AGIAR	AGI Argentina Limitada S.r.l., Argentina	AGI / HTM	90.00% / 10.00%	90.00% / 10.00%
SENHU	AGI European Games Kft., Hungary	AGIHU / GAHHU	99.56% / 0.44%	99.56% / 0.44%
OLACO	AGI Gaming Colombia S.A.S., Colombia	AGI	100.00%	100.00%
AGIHU	AGI Hungaria Kft., Hungary	AGI	100.00%	100.00%
AIRO	Airoline GmbH, Austria	AGI	100.00%	100.00%

COMEBA	AK "COMET" d.o.o. Zivinice, Bosnia and Herzegovina	HTLBA	100.00%	100.00%
ALFLV	Alfor SIA, Latvia	AGI	60.00%	60.00%
ALGAST	Algast Gastronomie GmbH, Austria	AGI	100.00%	100.00%
ALLIT	Allstar S.r.l., Italy	ADRIT	100.00%	100.00%
ALSGRU	ALS Group OOO, Russia	AGI / SBPRU	99.90% / 0.10%	99.90% / 0.10%
AMONBA	Amoniq d.o.o. Zenica, Bosnia and Herzegovina	HTLBA	100.00%	100.00%
ASTRAL	Astra Albania Sh.A., Albania	EAGAL	100.00%	100.00%
ASCOUK	Astra Casino Gaming (One) Ltd., UK	ASCGUK	100.00%	100.00%
ASCGUK	Astra Casino Gaming Ltd., UK	ASTUK	100.00%	100.00%
ASGOUK	Astra Games (One) Ltd., UK	ASTUK	100.00%	100.00%
ASTUK	Astra Games Ltd., UK	AGI	100.00%	100.00%
AGI	Austrian Gaming Industries GmbH, Austria	NAG	100.00%	100.00%
AUTEC	AuTec AutomatenbetriebsgmbH, Austria	AGI	100.00%	100.00%
BEAMT	BeatYa Online Entertainment p.l.c., Malta	GTA	100.00%	100.00%
BELLUK	Bell-Fruit Group Ltd., UK	ASTUK	100.00%	100.00%
AKOCS	Beo-Gaming d.o.o., Serbia	NOVOC	100.00%	100.00%
BETWCS	Betware d.o.o., Serbia	BETWDK	100.00%	100.00%
BETWDK	Betware DK ApS., Denmark	BETWIS	100.00%	100.00%
BETWIS	Betware ehf., Iceland	BETHIS	100.00%	100.00%
BETHIS	Betware Holding hf., Iceland	NLSAT / NLSIS	25.84% / 74.16%	25.84% / 74.16%
BETWES	Betware S.L.U., Spain	BETWIS	100.00%	100.00%
BPAFDE	BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany	NSMLDE	100.00%	100.00%
MATAHR	Captura d.o.o., Croatia	NOGHR	100.00%	100.00%
CAHONL	Casino Admiral Holland B.V., Netherlands	JVHPNL	100.00%	100.00%
CAZENL	Casino Admiral Zeeland B.V., Netherlands	JVHPNL	100.00%	100.00%
CAS1DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. I, Germany	BPAFDE	100.00%	100.00%
CAS3DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. III, Germany	BPAFDE	100.00%	100.00%
VIDDE	Casino Deluxe Beteiligungsgesellschaft m.b.H. IV, Germany	BPAFDE	100.00%	100.00%
CER	Cervo Media GmbH, Austria	GTA	100.00%	100.00%
CROMX	Crown Gaming Mexico S.A. de C.V., Mexico	AGI	60.00%	60.00%
CROPY	Crown Gaming Paraguay S.A., Paraguay	NLAHES	65.00%	65.00%
CROPE	Crown Gaming S.A.C., Peru	NOVOPE	65.00%	65.00%
AGIMX	Crown Gaming Services Mexico S. de R.L. de C.V., Mexico	AGI	60.00%	60.00%
CRODE	Crown Technologies GmbH, Germany	NSMLDE	100.00%	100.00%
CRYAN	CRYdata N.V., Curacao	FMASK	70.00%	100.00%
DAZZMT	Dazzletag Entertainment Ltd., Malta	GTA	100.00%	100.00%
EAGAL	Eagle Investment Sh.A, Albania	AGI	100.00%	100.00%
EURGNL	ECG Oud B.V., Netherlands	JVHPNL	100.00%	100.00%
ELAMNL	Elam Group Electronic Amusement B.V., Netherlands	EUCGNL	100.00%	100.00%
EMPUK	Empire Games Ltd., UK	ASTUK	78.80%	78.80%
EUCGNL	Eurocoin Gaming B.V., Netherlands	JVHPNL	100.00%	100.00%
AWPDNL	Eurocoin Interactive B.V., Netherlands	JVHPNL	100.00%	100.00%
EXTDE	Extra Games Entertainment GmbH, Germany	NSMLDE	95.00%	95.00%

TREU15	Fenikss Slots SRL, Romania	NOVORO / HTM	99.55% / 0.45%	99.55% / 0.45%
FMASK	FMA s.r.o., Slovakia	GTA	70.00%	70.00%
FST	Funstage Spielewebseiten Betriebsges.m.b.H., Austria	GTA	100.00%	100.00%
GAM	G.A.M.E. SYS Geldspiel-Automaten-Miet-Elektronik-System GmbH, Austria	AGI	100.00%	100.00%
GMAIT	G.Matica S.r.l., Italy	TELCIT	100.00%	100.00%
GAHHU	Games Holding Hungaria Kft., Hungary	AGIHU	100.00%	100.00%
GAMEUK	Gamestec Leisure Ltd., UK	ASTUK	100.00%	100.00%
GUB	Gastronomie- u. Unterhaltungselektronik Betriebs GmbH, Austria	HTM	100.00%	100.00%
GESGES	GesGiGames S.L.U., Spain	GIGAES	80.00%	100.00%
GNORES	GiGames Norte S.L., Spain	GIGAES	40.80%	51.00%
GIGAES	GiGames S.L., Spain	NOGES	80.00%	80.00%
GSM	Giochi San Marino S.p.A., San Marino	AGI	93.00%	93.00%
GALUK	Greentube Alderney Ltd., UK	GTMT	100.00%	100.00%
GTA	Greentube Internet Entertainment Solutions GmbH, Austria	ASTUK	100.00%	100.00%
GTMT	Greentube Malta Ltd., Malta	GTA	100.00%	100.00%
HIRDE	Hirscher Moneysystems GmbH, Germany	CRODE	80.00%	80.00%
HOCAPE	Hotel Carrera S.A.C., Peru	IMRAPE / SIMAPE	64.93% / 0.07%	99.90% / 0.10%
TIVSI	HTI Invest d.o.o., Slovenia	NOVOSI	100.00%	100.00%
HTLBA	HTL d.o.o. Sarajevo, Bosnia and Herzegovina	AGI	100.00%	100.00%
HTLXK	HTL Kosovo Sh.p.k., Kosovo	HTLMK	100.00%	100.00%
HTLMK	HTL Makedonija DOOEL, Macedonia	AGI	100.00%	100.00%
HTLME	HTL Montenegro d.o.o., Montenegro	AGI	100.00%	100.00%
HTLUA	HTL Ukraine TOV, Ukraine	AGI	100.00%	100.00%
HTM	HTM Hotel- u. Tourismus Management GmbH, Austria	NAG	100.00%	100.00%
IGROUA	Igrotech-Import TOV, Ukraine	AZARLT	80.00%	100.00%
INEWCL	I-New Chile S.p.A., Chile	INEWAT	76.81%	100.00%
INEWCO	I-New Colombia S.A.S., Colombia	INEWAT	76.81%	100.00%
INEWHU	I-New Hungary Kft., Hungary	INEWAT	76.81%	100.00%
INEWAT	I-New Unified Mobile Solutions AG, Austria	NAG	76.81%	76.81%
INEWMX	I-NEW Unified Mobile Solutions S.A. de C.V., Mexico	INEWAT	76.80%	99.99%
IMRAPE	Inmobiliaria Rapid S.A.C., Peru	CROPE / NOVOPE	64.99% / 0.01%	99.99% / 0.01%
INTRO	Intertop S.r.l., Romania	NOVORO / HTM	99.97% / 0.03%	99.97% / 0.03%
SCHAAF	J.u.C. Schaaf Spielautomatenbetriebsges.m.b.H., Austria	GAM	100.00%	100.00%
JVHENL	JVH exploitatie B.V., Netherlands	JVHPNL	100.00%	100.00%
JVHPDE	JVH gaming products GmbH, Germany	JVHPNL	100.00%	100.00%
KSBKDE	Kurhessische Spielbank Kassel/BadWildungen GmbH & CO. KG, Germany	SIMKDE	100.00%	100.00%
LOONNL	Loontjens Automaten B.V., Netherlands	JVHPNL	100.00%	100.00%
NSMLDE	Löwen Entertainment GmbH, Germany	AGI	100.00%	100.00%
LUXLUK	Luxury Leisure UItd., UK	ASCGUK	100.00%	100.00%
MAGMK	MA Gaming DOOEL, Macedonia	HTLMK	100.00%	100.00%
MAKOMK	Makoten DOOEL, Macedonia	AGI	100.00%	100.00%
MASTMK	Masterbet DOOEL, Macedonia	HTLMK	100.00%	100.00%

MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100.00%	100.00%
MEMOSI	Memoria d.o.o., Slovenia	TIVSI	100.00%	100.00%
METUSI	Memorija Turizem d.o.o., Slovenia	NOVOSI	100.00%	100.00%
MNAME	MNA Gaming d.o.o., Montenegro	HTLME	100.00%	100.00%
JVHBNL	NGE Oud B.V., Netherlands	NGEXNL	100.00%	100.00%
NMN	NMN Automatentechnik GmbH, Austria	AGI / NAG	1.00% / 99.00%	1.00% / 99.00%
NORDDE	Norddeutsche Spielbanken GmbH, Germany	NAG	100.00%	100.00%
NOVSI	NOVO AS d.o.o., Slovenia	NOVOSI	100.00%	100.00%
NOVOCR	Novo Gaming CR Ltda., Costa Rica	NLAHES	90.00%	90.00%
NOGHR	Novo Gaming d.o.o., Croatia	AGI	100.00%	100.00%
JVHMNL	Novo Gaming Development B.V., Netherlands	JVHPNL	100.00%	100.00%
NGEXNL	Novo Gaming Exploitatie B.V., Netherlands	JVHPNL	100.00%	100.00%
NOVOGT	Novo Gaming GT Limitada, Guatemala	NLAHES	90.00%	90.00%
NOVONL	Novo Gaming Netherlands B.V., Netherlands	AGI	100.00%	100.00%
JVHPNL	Novo Gaming Services B.V., Netherlands	NOVONL	100.00%	100.00%
IKGDE	Novo Immobilien GmbH, Germany	NAG	100.00%	100.00%
NOVOBG	Novo Invest Bulgaria EOOD, Bulgaria	AGI	100.00%	100.00%
NOVORO	Novo Invest Co SRL, Romania	AGI / HTM	99.8% / 0.20%	99.8% / 0.20%
NOVOSI	Novo Investicije d.o.o., Slovenia	AGI	100.00%	100.00%
NOVOCS	Novo Investment d.o.o., Serbia	AGI	100.00%	100.00%
NLSAT	Novo Lottery Solutions GmbH, Austria	NAG	100.00%	100.00%
NLSIS	Novo Lottery Solutions Iceland hf., Iceland	NAG / NLSAT	0.31% / 99.69%	0.31% / 99.69%
NOVOBA	NOVO RS d.o.o., Bosnia and Herzegovina	AGI	100.00%	100.00%
NVLTAT	Novo VLTech GmbH, Austria	AGI	100.00%	100.00%
NVLTRO	Novo VLTech Solutions SRL, Romania	AGI / NVLTAT	0.01% / 99.99%	100.00%
NOVOCL	Novochile Ltda., Chile	AGI / HTM	99.00% / 1.00%	99.00% / 1.00%
NOVOGH	Novogaming Ghana Ltd., Ghana	AGI	90.00%	90.00%
NEE	Novoloto OÜ, Estonia	ADMILV	60.00%	100.00%
NAHUS	NOVOMATIC Americas Holdings Inc., USA	NAG	100.00%	100.00%
NARUS	NOVOMATIC Americas Real Estate LLC, USA	NAHUS	100.00%	100.00%
NASUS	NOVOMATIC Americas Sales LLC, USA	NAHUS	95.00%	95.00%
NOGES	NOVOMATIC Gaming Spain S.A., Spain	AGI	100.00%	100.00%
NHCCL	NOVOMATIC Holdings Chile Ltda., Chile	NICCL	100.00%	100.00%
NICCL	NOVOMATIC Investment Chile S.A., Chile	NAG	100.00%	100.00%
ADRIT	NOVOMATIC Italia S.p.A., Italy	NAG	100.00%	100.00%
AGSIT	NOVOMATIC Italia Services S.r.l., Italy	ADRIT	100.00%	100.00%
NLAHES	NOVOMATIC LatAm Holding S.L.U., Spain	AGI	100.00%	100.00%
NOVOPE	NOVOMATIC Peru S.A.C., Peru	AGI	100.00%	100.00%
ARGAR	Octavian de Argentina S.A., Argentina	AGI / HTM	90.00% / 10.00%	90.00% / 10.00%
SBPRU	Octavian SPb Limited Partnership, Russia	AGI	100.00%	100.00%
HTLRU	OOO HTL Posledni Per., Russia	AGI	99.00%	99.00%
UGIRU	OOO United Gaming Industries, Russia	AGI	99.99%	99.99%
PLANBY	Planeta IGR, Belarus	AZARLT	80.00%	100.00%
PLAAT	Platogo Interactive Entertainment GmbH, Austria	GTA	100.00%	100.00%
LORHNL	Recreatieprojecten Holland B.V., Netherlands	CAHONL	100.00%	100.00%
LORZNL	Recreatieprojecten Zeeland B.V., Netherlands	CAZENL	100.00%	100.00%
HTBLBA	RSA Gaming d.o.o., Bosnia and Herzegovina	NOVOBA	100.00%	100.00%



RUTAES	Ruta 777 S.L., Spain	NOGES	80.00%	80.00%
SALLUK	SAL Leisure Ltd., UK	ASGOUK	100.00%	100.00%
SIMAPE	Sierra Machines S.A.C., Peru	CROPE	65.00%	100.00%
SIMKDE	SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & CO. KG, Germany	NAG	100.00%	100.00%
SLOTHU	Slotclub Kft., Hungary	GAHHU	100.00%	100.00%
SOGMIT	SO.GE.M.A. S.p.A., Italy	ADRIT	100.00%	100.00%
SOGIT	So.Ge.Slot S.p.A., Italy	ADRIT	100.00%	100.00%
SBEKDE	Spielbank Berlin Entertainment GmbH & Co.KG, Germany	NAG	92.50%	92.50%
SBBKDE	Spielbank Berlin Gustav Jaenecke GmbH & Co.KG, Germany	NAG	92.04%	92.04%
SBNKDE	Spielbank Berlin nationale Beteiligungsgesellschaft mbH & Co.KG, Germany	NAG	100.00%	100.00%
TIMRO	T.I.M.A.X. S.r.l., Romania	NOVORO / AGI	99.99% / 0.01%	99.99% / 0.01%
TELCIT	Telcos S.r.l., Italy	ADRIT	100.00%	100.00%
TREU10	Treuhand 10 GmbH, Switzerland	NAG	100.00%	100.00%
TREU9	Treuhand 9 GmbH, Poland	TREU1	60.00%	100.00%
TREU1	Treuhand GmbH, Austria	AGI	60.00%	60.00%
AZARLT	UAB Azarto Technika, Lithuania	AGI	80.00%	80.00%
NOVOLT	UAB Novogaming Vilnius, Lithuania	AGI	80.00%	80.00%
TAXILT	UAB Taxillus, Lithuania	AZARLT	56.00%	70.00%
VSGALT	UAB VSGA, Lithuania	AZARLT	56.00%	70.00%
VILLBG	Villox Group EOOD, Bulgaria	NOVOBG	100.00%	100.00%
WEC	Wett Cafe Betriebs GmbH, Austria	HTM	100.00%	100.00%
WETTRO	Wettpunkt International S.r.l, Romania	NOVORO	100.00%	100.00%
ZOLRU	Zolotaya Bukhta OOO, Russia	HTLRU	98.80%	99.80%

„At-Equity“ consolidated companies

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

„Joint Operations“ consolidated companies

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

Non-consolidated affiliated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
CLUBUK	Admiral Club Ltd., UK	AGI	100.00%	100.00%
BAGYHU	Admiral Hungaria Kft.(Bagyi System Kft.), Hungary	AGIHU	100.00%	100.00%
ABETUK	Astra Betting (One) Ltd., UK	GAMEUK	100.00%	100.00%
BAMUUK	Bell Amusements Ltd., UK	GAMEUK	100.00%	100.00%
BFGUK	Bell-Fruit Games Ltd., UK	BELLUK	100.00%	100.00%
BFSUK	Bell-Fruit Services Ltd., UK	GAMEUK	100.00%	100.00%
BEMARO	Bet Master, Romania	NOVORO / HTM	99.00% / 1.00%	99.00% / 1.00%

BUENNI	Buena Vista S.A., Nicaragua	CROPE	99.00%	99.00%
CPASPH	CP Asian Solutions Corporation, Philippines	ASTUK	50.99%	50.99%
CRYSK	CRYgames s.r.o., Slovakia	FMASK	70.00%	100.00%
DHTCMK	DHTCM DOOEL, Macedonia	HTLMK	100.00%	100.00%
EXLGUK	Extreme Live Gaming Ltd., UK	ASTUK	100.00%	92.50%
GNETUK	Games Network Ltd., UK	GAMEUK	100.00%	100.00%
GTECUK	Gamestec Ltd., UK	GAMEUK	100.00%	100.00%
GBT	GBT Products and Technologies VertriebsGmbH, Austria	AUTEC	100.00%	100.00%
GTGIGI	Greentube Gibraltar Ltd., Gibraltar	GTA	100.00%	100.00%
INTLB	Interinvest Holding SAL, Lebanon	AGI	95.00%	95.00%
INLOLB	Interlog SAL, Lebanon	INTLB	95.00%	100.00%
JVHGGR	JVH Greece S.A., Greece	JVHPNL	50.00%	50.00%
KSBDE	Kurhessische Spielbank Kassel/BadWildungen Verwaltungs GmbH, Germany	SIMKDE	100.00%	100.00%
KWIKUK	Kwik Tan Ltd. (Astra Casino Gaming (Two) Ltd.), UK	ASCGUK	100.00%	100.00%
MAZOUK	Mazooma Games Ltd., UK	BELLUK	100.00%	100.00%
MIGUK	Mazooma Interactive Games Ltd., UK	BELLUK	100.00%	100.00%
NOVOKH	Novo (Cambodia) Ltd., Cambodia	NOVOSG	100.00%	100.00%
NOVOSG	Novo AI Singapore Pte.Ltd., Singapore	AGI	100.00%	100.00%
NOVOHN	Novo Gaming Honduras S.de R.L. de C.V., Honduras	NLAHES	90.00%	90.00%
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	100.00%	100.00%
NOVOPA	Novo Panama S.de R.L., Panama	NLAHES / HTM	99.90% / 0.10%	99.90% / 0.10%
OSBKDE	Ostsee-Spielbanken GmbH & Co.KG, Germany	SBNKDE	51.00%	51.00%
RLMSUK	RLMS Sales Ltd., UK	BELLUK	100.00%	100.00%
SIMDE	SIM Spielbanken Investitions- und Management GmbH, Germany	NAG	100.00%	100.00%
SPELLV	Spelu Nams SIA, Latvia	ALFLV	60.00%	100.00%
SBEVDE	Spielbank Berlin Entertainment Verwaltungs GmbH, Germany	SBEKDE	92.50%	100.00%
GIPDE	Spielbank Berlin nationale Beteiligungen Verwaltungs GmbH, Germany	SBNKDE	100.00%	100.00%
SBBVDE	Spielbank Berlin Verwaltungs GmbH, Germany	SBBKDE	92.04%	100.00%
SBMKDE	Spielbanken MV Bewerbergesellschaft GmbH & Co.KG, Germany	SBNKDE	100.00%	75.00%
SBMVDE	Spielbanken MV Bewerbergesellschaft Verwaltungs-GmbH, Germany	SBNKDE	100.00%	75.00%
STAKNL	Stakelogic B.V., Netherlands	GTA	100.00%	100.00%
TREU16	Treuhandgesellschaft 16	AGI	100.00%	100.00%
TREU17	Treuhandgesellschaft 17	AGI	80.00%	80.00%

## Acquisitions in 2014

### United Kingdom

On 6 June 2014, 100% each of the shares in two companies, Luxury Leisure Ultd. and SAL Leisure Ltd., were acquired by two subsidiaries of NOVOMATIC AG, these being Astra Casino Gaming Ltd. and Astra Games (One) Ltd. The two acquired companies operate 82 gambling halls in England and Scotland. Through these additional acquisitions, NOVOMATIC Group has increased its market presence in the “Gaming Operations” segment in Great Britain.

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

EUR m	Fair value
Intangible assets	40.8
Property, plant and equipment	12.3
Other non-current assets	0.0
Deferred tax assets	0.6
Inventories	0.3
Cash and cash equivalents	3.7
Other current assets	3.7
Non-current liabilities and provisions	-2.7
Deferred tax liabilities	-8.5
Current liabilities and provisions	-7.3
<b>Net assets</b>	<b>42.7</b>
Goodwill	27.6
<b>Consideration</b>	<b>70,3</b>

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

The consideration amounting to EUR 70.3 million has been paid in cash. Revenue amounts to EUR 34.6 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 2.7 million.

#### Netherlands

On 8 January 2014, Novo Gaming Netherlands B.V., a wholly owned subsidiary of NOVOMATIC, acquired three companies owned by Christoffel Groep B.V.. The transaction covered the Christoffel Group's gaming facility operations (nine electronic casinos) and single-site operations (470 locations). This acquisition strengthens the NOVOMATIC Group's position in the Dutch market for machine placement while at the same time facilitating entry into the Dutch gaming salon market.

On 6 November 2014, a 100% stake in Elam Group Electronic Amusement B.V. was acquired in order to strengthen NOVOMATIC's operating activities in the Netherlands. The acquired company produces and distributes gaming machines.

#### Lithuania

On 1 January 2014, UAB Azarto technika, a company in which NOVOMATIC holds a stake of 80%, acquired 50% stakes in both UAB VSGA and UAB Taxillus. Soon thereafter, the stakes were increased to 70% each by means of a unilateral capital increase. Taken together, UAB VSGA and UAB Taxillus constitute a casino group in Lithuania, with UAB VSGA holding an open-ended casino license while UAB Taxillus operates under a gastronomy license. The newly acquired companies currently operate four casino locations in Lithuania.

#### Malta

On 10 June 2014, a 100% stake in Dazzletag Entertainment Ltd., a B2C supplier of online products in the Netherlands and the U.K., were acquired by Greentube Internet Entertainment Solutions GmbH. The purpose of this acquisition was to strengthen and diversify NOVOMATIC's operations in the online gaming sector.

## Italy

On 7 August 2014, NOVOMATIC Italia S.p.A. acquired a 100 % stake in SO.GE.M.A. S.p.A., an Italian producer and distributor. The Group's intent in undertaking this acquisition was to strengthen its operating activities and achieve synergies in the Italian gaming market.

## Spain

On 4 December 2014, NOVOMATIC Gaming Spain S.A., a wholly owned subsidiary of NOVOMATIC, acquired 80 % stakes each in GiGames S.L. (as well as its associated companies) and in Ruta 777 S.L. The business activity of the acquired companies consists mainly in producing and distributing AWP machines – particularly in the hospitality sector. The acquisitions aim to expand NOVOMATIC's business activities in the Spanish gaming market.

The acquisitions according to IFRS 3 in the Netherlands, Lithuania, Malta and Italy have been fully recognized. In contrast, accounting of the acquisition in Spain was not completely concluded at the reporting date since the entities were acquired shortly before the balance sheet date. As a result, values in the opening balance with regard to Spanish acquisitions have not yet been conclusively determined. Likewise, the total purchase price has not yet been fully allocated to the acquired assets and assumed liabilities. In particular, changes in the values of intangible assets may still occur. The relevant companies are therefore included in the consolidated financial statements at their provisional fair values. The following table summarizes the acquisitions:

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

Other current assets consist of trade receivables with a fair value of EUR 19.9 million (or 21.3 million gross).

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

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

The consideration amounts to EUR 66.3 million, whereby EUR 3.8 million result from the conditional purchase price and EUR 62.5 million were already paid in cash. The conditional purchase price is dependent on the development of underlying earnings figures of future periods up to and including the year 2017 and was calculated using discounted cash flows.

Consolidated revenues since the acquisition date amount to EUR 38.0 million, whereas the result for the period since the acquisition date amounts to EUR -2.4 million.

## Other remarks regarding acquisitions

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

## Acquisitions in 2013

The acquisitions carried out in 2013 are outlined in the consolidated financial statements of 31 December 2013. At the time of reporting, certain acquisitions had not been fully recognized. As a consequence, the relevant acquisitions were included in the consolidated financial statements at their provisional fair values. The final fair values at the time of acquisition are as follows:

EUR m	Provisional fair values	Final fair values
Intangible assets	67.3	63.2
Property, plant and equipment	43.3	43.4
Other non-current assets	4.8	4.8
Deferred tax assets	3.3	4.1
Inventories	5.6	5.6
Cash and cash equivalents	24.1	24.1
Other current assets	24.1	24.1
Non-current liabilities and provisions	-25.7	-25.7
Deferred tax liabilities	-13.8	-13.8
Current liabilities and provisions	-41.2	-41.1
<b>Net assets</b>	<b>91.8</b>	<b>88.7</b>
<b>Non-controlling interests</b>	<b>-9.6</b>	<b>-9.6</b>
Goodwill	44.9	47.3
Received surplus affecting income	-1.0	-1.0
Fair value of investments in associated companies	-8.7	-8.7
<b>Consideration</b>	<b>117.5</b>	<b>116.7</b>

The final consideration amounted to EUR 116.7 million, whereby EUR 16.3 million resulted from offsetting with outstanding claims, EUR 15.8 million resulted from contingent considerations, and EUR 84.7 million were paid in cash (whereof EUR 82.7 million had already been paid in 2013). All other disclosures remained unchanged.

## Accounting Policies

### Basis of consolidation

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

The acquired identifiable assets and liabilities taken over are measured at their fair value at the date of acquisition, unless exceptions thereto exist. In accordance with IFRS 3, any excess of the consideration transferred over the fair values of the identifiable

net assets acquired is recognized as goodwill. If consideration transferred is below the identifiable net assets, the difference is recognized against income after a reevaluation of the acquired net assets.

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

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

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

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

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

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

### Foreign currency translation

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

Apart from the positions within equity, all balance sheet items are translated into Euros at the exchange rate prevailing on 31 December 2014. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. Upon the elimination of a foreign company from the consolidation scope, the exchange difference is recognized in the income statement.

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

Equivalent amount = EUR 1	Exchange rate prevailing at balance sheet date		Average exchange rate for the year	
	12/31/2014	12/31/2013	2014	2013
Albanian Lek	139.9615	140.0775	139.9175	140.3505
Argentinian Peso	10.3822	8.9553	10.8233	7.3724
Bosnian Convertible Mark	1.9558	1.9558	1.9558	1.9558
British Pound	0.7803	0.8330	0.8026	0.8501
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Chilean Peso	736.6570	723.2370	755.8060	663.1102
Costa Rican Colón	657.9140	692.9690	709.4215	683.7878
Danish Crown	7.4450	7.4595	7.4547	7.4585
Ghanaian Cedi	3.8878	3.2701	4.0574	2.7397
Guatemalan Quetzal	9.2606	10.8379	10.2309	10.8331
Icelandic Crown	154.5700	159.0085	154.5093	162.2480
Colombian Peso	2,892.5000	2,652.4100	2,654.5863	2,502.3588
Croatian Kuna	7.6600	7.6200	7.6330	7.5764
Latvian Lats	-	0.7028	-	0.7013
Lithuanian Litas	3.4528	3.4525	3.4517	3.4515
Macedonian Dinar	61.4183	61.4560	61.5178	61.7672
Mexican Peso	17.8600	18.0100	17.6200	17.1025
Paraguayan Guarani	5,629.8300	6,347.3750	5,925.0896	5,746.1725
Peruvian New Sol	3.6351	3.8577	3.7652	3.6125
Polish Zloty	4.2820	4.1530	4.1935	4.2192
Romanian Lei	4.4860	4.4730	4.4378	4.4155
Russian Rouble	72.0000	45.2000	51.8717	42.5842
Swiss Franc	1.2000	1.2250	1.2121	1.2287
Serbian Dinar	121.2000	114.5000	117.2250	113.0050
South African Rand	14.0450	14.4800	14.3146	13.0113
Hungarian Forint	315.2000	297.0000	309.8708	298.0250
Ukrainian Hryvnia	19.2654	11.4133	16.1849	10.8615
US Dollar	1.2161	1.3775	1.3205	1.3294
Belarusian Rouble	15,372.3000	13,135.4500	13,759.9083	11,876.5708

## Intangible assets and goodwill

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

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

For intangible assets with an indefinite useful life, an impairment test is carried out at least annually or in cases where indications of impairment arise. Impairment is given if the recoverable amount is lower than the book value. The recoverable amount is the higher

value of the fair value and the value-in-use, where the value-in-use corresponds to the present value of the estimated future cash flows discounted at a pre-tax interest rate customary in the market and taking into account risks specific to the assets. Impairment is recognized in the year during which the event causing the impairment arises. Where an impairment loss subsequently reverses, the assets are written up.

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

The estimated useful lives for intangible assets and goodwill are:

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

## Property, plant and equipment

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

The estimated useful lives for tangible assets are:

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

## Investment property

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

## Leasing

Agreements by which all risks and rewards of ownership related to the use of the assets are transferred to the Group are classified as finance leases. Assets held as finance leases are recognized initially at their fair value or, if lower, at the present value of the minimum



lease payments, and they are written off over their estimated useful life or over the shorter term of the leasing contract, if applicable. The recognized assets are shown on the balance sheet along with the present value of all lease payments outstanding at the balance sheet date.

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

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

## Inventories

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

## Receivables and other short-term assets

Precious metals (gold) are valued and recognized in accordance with current market values. Valuation in accordance with market value is considered appropriate due to high levels of liquidity of gold reserves and the volatility of their value.

## Financial assets

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

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

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

### Loans and receivables

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

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that have been either designated as such or not classified in any of the other categories in accordance with IAS39. These include securities, investments in affiliated, non-consolidated entities, and other participating interests. The valuations of available-for-sale assets are carried at fair value.

The valuation of securities is done to correspond with market values – the values of which can be derived from quoted market prices on the balance date. Any changes in value that are resulted from fluctuations in fair value are recognized in other comprehensive

income, accumulated under changes in revaluation reserve (IAS 39). When the investment is impaired, the cumulative gains or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

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

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

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

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

A financial liability is measured at fair value through profit or loss when it is classified as a derivative or contingent consideration. The Group uses derivatives as hedging instruments against interest and currency risks. Upon finalization of the contracts, the derivatives are first valued at fair value as determined by the discounted cash flow method. In subsequent periods, the derivatives are then carried at fair value. Derivatives are recognized as assets when their fair value is positive, and as liabilities when their fair value is negative. This method of recognition applies to all derivatives within the Group, as they do not fulfill the criteria of a hedging relationship as prescribed in IAS 39. The principle of hedge accounting is not applicable. For the initial recognition of contingent consideration in a business combination, the facts and circumstances surrounding the contingent consideration that existed at the time of acquisition are disclosed. Subsequent valuation is measured at fair value through profit or loss.

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

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

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

#### **Recognition and Derecognition**

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

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

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

#### **Provisions**

Provisions for pensions or similar obligations, as well as provisions for severance and jubilee payments, are measured according to the regulations of IAS 19 using the projected unit credit method. The costs of the estimated benefit entitlements are allocated over the whole period of employment. Future increases in remuneration are taken into account. Actuarial gains and losses concerning provisions for severance payments and pensions are recognized in other comprehensive income or charged against income when it comes to jubilee

payments. Past service costs are recognized as expense at the time of plan adjustment. Provisions correspond to the present value of the obligations (DBO). The accrued amounts are based on the expert opinion of qualified actuaries as of the balance sheet date.

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

### Contingent liability

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

### Revenue and expense recognition

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

### Financial result

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

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

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

### Taxes

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

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

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

Average tax rates used by Group companies are:

Country	2014 tax rate	2013 tax rate
Albania	15%	10%
Argentina	35%	35%
Bosnia and Herzegovina	10%	10%
Bulgaria	10%	10%
Chile	21%	20%
Costa Rica	10%	10%
Curacao	2%	2%
Denmark	23%	25%
Germany	15.825% -57.2%	15.825% -57.2%
England	20% -21%	20% and 23.25%
Ghana	27%	25%
Guatemala	7%	6%
Iceland	20%	20%
Italy	27.5% and 31.4%	27.5% and 31.4%
Colombia	34%	34%
Croatia	20%	20%
Kosovo	10%	10%
Latvia	15%	15%
Lithuania	15%	15%
Malta	5%	5%
Mexico	30%	30%
Montenegro	9%	9%
Austria	25%	25%
Netherlands	25%	25%
Paraguay	10%	10%
Peru	30%	30%
Poland	19%	19%
Romania	16%	16%
Russia	0% and 20%	0% and 20%
San Marino	17%	17%
Switzerland	8.5%	8.5%
Serbia	15%	15%
Slovakia	19%	23%
Slovenia	17%	16% -17%
Spain	28% -30%	30%
South Africa	28%	28%
Ukraine	18%	19%
Hungary	10%	10%
USA	40%	40%
Belarus	18%	18%

## Fair value measurement

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

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

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

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

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

## Estimates and adjustments

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

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

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

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

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

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

Concerning the inventory evaluation, assumptions must be made market development and economic exploitability.

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

Additionally, the preparation of financial statements requires that assumptions be made about future developments. Concerning social capital obligations, assumptions are made about the employees' retirement age and life expectancy as well as about future pension and salary increases. The assumptions upon which estimates are based are subject to constant scrutiny and adjustment.

## Notes to the Consolidated Balance Sheet

### (1) Intangible assets EUR m

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
Balance as of 01/01/2013	55.1	16.2	206.1	11.9	65.5	40.7	395.5
Currency translation adjustments	0.0	-0.1	-1.0	-0.1	0.0	-0.1	-1.2
Additions acquired through business combinations	47.3 <sup>1</sup>	2.5 <sup>1</sup>	4.5	36.7 <sup>1</sup>	21.6 <sup>1</sup>	0.9	113.4
Additions	0.0	0.0	10.7	0.3	10.5	12.0	33.6
Disposals	0.0	0.0	-0.7	0.0	-0.1	-0.9	-1.8
Reclassifications	0.0	0.0	0.0	0.0	0.5	-0.6	-0.2
<b>Balance as of 12/31/2013</b>	<b>102.3</b>	<b>18.6</b>	<b>219.7</b>	<b>48.8</b>	<b>97.9</b>	<b>52.0</b>	<b>539.3</b>

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
Balance as of 01/01/2014	102.4	18.6	219.7	48.8	97.9	52.0	539.3
Currency translation adjustments	-2.7	1.0	2.2	0.8	0.2	0.0	1.6
Additions acquired through business combinations	42.0	12.6	40.4	10.3	17.5	5.1	127.9
Additions	0.0	0.2	1.1	0.0	16.0	13.8	31.0
Disposals	-0.2	-0.4	-6.8	0.0	-6.1	-3.5	-16.9
Reclassifications	0.0	0.0	-0.7	0.0	0.7	0.6	0.5
<b>Balance as of 12/31/2014</b>	<b>141.6</b>	<b>32.0</b>	<b>255.8</b>	<b>59.9</b>	<b>126.2</b>	<b>68.0</b>	<b>683.5</b>

Accumulated amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
Balance as of 01/01/2013	20.6	5.8	40.3	1.7	36.2	18.8	123.4
Currency translation adjustments	0.0	0.0	-0.5	0.0	0.0	-0.1	-0.6
Additions acquired through business combinations	0.0	0.0	1.4	0.0	0.9	0.7	2.9
Additions	0.0	0.7	16.1	2.2	17.4	4.9	41.4
Impairment	2.7	0.1	22.0	0.0	0.0	0.0	24.9
Disposals	0.0	0.0	-0.4	0.0	-0.1	-0.7	-1.3
Reclassifications	0.0	0.0	0.0	0.0	0.1	0.0	0.1
<b>Balance as of 12/31/2013</b>	<b>23.3</b>	<b>6.6</b>	<b>79.0</b>	<b>3.9</b>	<b>54.4</b>	<b>23.6</b>	<b>190.9</b>

Accumulated amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
Balance as of 01/01/2014	23.4	6.6	79.0	3.9	54.4	23.6	190.9
Currency translation adjustments	0.0	0.0	0.2	0.0	0.0	-0.1	0.2
Additions acquired through business combinations	0.5	0.0	0.0	0.0	0.4	2.6	3.5
Additions	0.0	0.9	16.6	4.6	16.7	6.8	45.5
Impairment	10.6	2.3	6.0	0.0	0.0	0.0	18.9
Disposals	0.0	0.0	-4.8	0.0	-3.2	-2.0	-9.9
Reclassifications	0.0	0.0	-0.4	0.0	0.2	0.4	0.2
Reversal of an impairment	0.0	0.0	-2.9	0.0	0.0	0.0	-2.9
<b>Balance as of 12/31/2014</b>	<b>34.5</b>	<b>9.8</b>	<b>93.7</b>	<b>8.6</b>	<b>68.5</b>	<b>31.3</b>	<b>246.3</b>

<b>Carrying amounts as of 12/31/2013</b>	<b>79.0<sup>1</sup></b>	<b>12.0<sup>1</sup></b>	<b>140.7</b>	<b>44.8<sup>1</sup></b>	<b>43.5<sup>1</sup></b>	<b>28.4</b>	<b>348.5</b>
<b>Carrying amounts as of 12/31/2014</b>	<b>107.1</b>	<b>22.2</b>	<b>162.2</b>	<b>51.3</b>	<b>57.6</b>	<b>36.7</b>	<b>437.1</b>

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

## Goodwill

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

EUR m	12/31/2014	12/31/2013
Gaming Technology - Austrian Gaming Industries	1.9	4.2
Gaming Technology – Online	7.0	7.0
Gaming Technology – Italy	19.0	15.9
Gaming Technology – Netherlands	7.1	6.7
Gaming Technology – Spain	5.6	0.0
Gaming Operations – Germany	5.1	5.1
Gaming Operations – Online	5.9	4.2
Gaming Operations – Romania	1.1	6.7
Gaming Operations – Netherlands	4.8	0.6
Gaming Operations – Great Britain	24.9	0.0
Mobile Virtual Network	4.4	4.4
Other	20.3	21.9
<b>Total</b>	<b>107.1</b>	<b>76.7</b>

Goodwill with a single value below EUR 4 million is summarized under “Other.”

## Intangible assets with indefinite useful lives

The intangible assets comprise licenses with an indefinite useful life amounting to EUR 50.3 million (previous year: EUR 18.6 million) and trademarks with an indefinite useful life amounting to EUR 16.1 million (previous year: EUR 3.6 million). The licenses and trademarks are allocated to the cash-generating units below. Single values below EUR 4 million are summarized under “Other.”

Licences EUR m	12/31/2014	12/31/2013
Gaming Operations – Latvia	18.6	18.6
Gaming Operations – Great Britain	29.9	0.0
Other	1.8	0.0
<b>Total</b>	<b>50.3</b>	<b>18.6</b>

Trademarks EUR m	12/31/2014	12/31/2013
Gaming Operations – Great Britain	9.4	0.0
Other	6.7	3.6
<b>Total</b>	<b>16.1</b>	<b>3.6</b>

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

## Impairments

The recoverable amount of the cash-generating units is based on the calculation of a value in use applying three year cash flow forecasts that are based on financial plans authorized by the management. The main assumptions for the calculation of the value in use for the forecasted period are based on the previous reporting year, experiences of comparable businesses and overall economic development. During the planning period, the basis is increased by development improvements estimated by the management in light of comparable projects, market potentials and risks.

Discount rates used for the cash flow forecast are pre-tax interest rates, and they take respective country-specific risks into consideration. Cash flows occurring after the period of between three and five years are carried over with a growth rate of 0.00 % to 2.00 %.

<b>Group of cash-generating units</b>	<b>Discount Rate</b>
Gaming Technology – Austrian Gaming Industries	9.89 %
Gaming Technology – Online	9.75 %
Gaming Technology – Italy	14.23 %
Gaming Technology – Netherlands	9.89 %
Gaming Technology – Spain	14.51 %
Gaming Operations – Germany	10.52 %
Gaming Operations – Online	9.86 %
Gaming Operations – Romania	12.27 %
Gaming Operations – Netherlands	9.89 %
Gaming Operations – Great Britain	10.08 %
Mobile Virtual Network	10.15 %
Other	9.83 % bis 15.58 %

The value in use of the group of cash-generating units “Gaming Technology – the Netherlands” exceeded the book value by EUR 5.6 million. If the discount rate were to increase to 13.98%, the exceeding amount would be consumed. The value in use of the group of cash-generating units “Gaming Operations – Italy” exceeds its book value by EUR 11.8 million. An increase in the discount rate to 16.22% would consume this exceeding amount. The value in use of the group of cash-generating units “Gaming Operations – the Netherlands” exceeded its book value by EUR 1.2 million. An increase in the discount rate to 10.32% or a decline in the growth rate to 0.91% would consume this exceeding amount. The value in use of the group of cash-generating units “Gaming Operations – Great Britain” exceeded the book value by EUR 12.7 million. An increase in the discount rate to 10.94% would consume this exceeding amount.

The comparison of book values with the recoverable amounts of the groups of cash-generating units that was undertaken as part of the annual impairment test for goodwill and intangible assets with indefinite useful lives, which was carried out on 30 September 2014, resulted in an impairment in the amount of EUR 12.7 million (previous year: EUR 2.7 million) due to business not having developed as expected. Impairments made concern the segment Gaming Operations. The recognized recoverable amounts of the groups of cash-generating units therefore correspond to Level 3 of the valuation hierarchy.

An impairment test in 2013 led to an initial occurrence of impairment in the amount of EUR 38.7 million for three German companies that are operating in the commercial automated games industry. During the 2014 fiscal year, a renewed evaluation of the German gaming venues was undertaken. This impairment test was performed together with external service providers, with its scope including all slot arcades run by the operating companies active in the area of commercial machine gaming. The main focus was on scenarios relating to site shutdowns and the withdrawal of concessions. The impact of more restrictive legal interpretations on the gaming facilities was investigated. In total, the identified impairment loss for all three companies amounted to EUR 10.7 million. The largest proportion of the impairment was related to the impairment of the rights of use of the gaming arcades (in intangible assets) and the impairment of property, plant and equipment (in particular land and buildings, as well as factory and office equipment). The recent test produced a change in impact assessments for specific locations, which made it necessary to revalue selected gaming venues. In total, the identified reversal of the impairment for all three companies amounted to EUR 5.9 million.

An impairment test in 2013 led to an initial occurrence of impairment in the amount of EUR 15.4 million for Italian Group companies within the Gaming Operations segment. During the 2014 fiscal year, a renewed evaluation for impairment of the Italian gaming venues was undertaken in which an impairment of EUR 10.7 Mio was determined. Almost the entire impairment amount relates to property, plant and equipment. The recent test produced a change in impact assessments for specific locations, which made it necessary to revalue selected gaming venues. The result was a reversal of impairment loss in the amount of EUR 2.6 million.



Due to changes in the legal environment, all Vienna-based subsidiaries of the NOVOMATIC Group undertook the precautionary and temporary action of putting all gaming devices out of operation. More on the legal situation that occasioned this can be found in the explanatory notes in the management report. The closure costs incurred by putting all gaming devices out of operation at the affected sites in Vienna come to a total of EUR 12.7 million. Of these costs, EUR 9.1 million relate to the impairment of fixed assets, EUR 3.6 million of which had already been accounted for in the prior fiscal year as a precautionary measure.

## Research and development

Internally generated intangible assets are only capitalized if the criteria of IAS 38.57 are fulfilled. For the reporting year, non-capitalizable development costs have been charged against income in the amount of EUR 75.5 million (previous year: EUR 62.5 million) as personnel costs and other expenses as well as depreciation and amortization on property, plant and equipment and intangible assets.

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

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
Balance as of 01/01/2013	570.2	678.7	252.3	21.0	1,522.1
Currency translation adjustments	-2.7	-8.1	-1.2	-0.1	-12.1
Additions acquired through business combinations	29.5	36.6	18.6	0.2	84.8
Additions	22.2	143.4	46.2	17.2	228.9
Disposals	-11.7	-105.2	-25.0	-9.7	-151.6
Reclassifications	8.9	11.6	0.7	-16.1	5.0
<b>Balance as of 12/31/2013</b>	<b>616.3</b>	<b>756.9</b>	<b>291.4</b>	<b>12.5</b>	<b>1,677.2</b>

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
Balance as of 01/01/2014	616.3	756.9	291.4	12.5	1,677.2
Currency translation adjustments	1.2	-6.3	1.0	0.0	-4.0
Additions acquired through business combinations	12.4	24.5	18.9	0.0	55.9
Additions	25.8	137.2	44.9	14.8	222.6
Disposals	-31.4	-103.2	-30.3	-2.6	-167.5
Reclassifications	5.4	0.0	2.2	-8.2	-0.5
<b>Balance as of 12/31/2014</b>	<b>629.9</b>	<b>809.2</b>	<b>328.1</b>	<b>16.5</b>	<b>1,783.7</b>

Accumulated depreciation	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
Balance as of 01/01/2013	164.4	400.3	139.3	3.9	708.0
Currency translation adjustments	-0.5	-5.1	-0.6	0.0	-6.2
Additions acquired through business combinations	7.7	21.3	12.0	0.0	41.0
Additions	35.6	134.6	33.0	3.7	206.9
Impairment	24.5	1.6	5.4	0.1	31.6
Disposals	-7.4	-91.9	-12.9	0.0	-112.2
Reclassifications	1.8	4.2	-1.0	-3.9	1.1
Reversal of an impairment	-0.2	-0.8	-0.3	-1.8	-3.2
<b>Balance as of 12/31/2013</b>	<b>225.9</b>	<b>464.2</b>	<b>174.9</b>	<b>2.0</b>	<b>866.9</b>
Accumulated depreciation	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
Balance as of 01/01/2014	225.9	464.2	174.9	2.0	866.9
Currency translation adjustments	0.1	-7.4	0.6	0.0	-6.7
Additions acquired through business combinations	5.6	11.0	13.6	0.0	30.1
Additions	35.6	130.0	37.1	2.5	205.2
Impairment	20.1	0.2	3.9	0.0	24.3
Disposals	-16.2	-88.8	-22.8	-0.1	-127.9
Reclassifications	-0.5	1.3	0.7	-1.6	-0.2
Reversal of an impairment	-4.8	-0.4	-0.6	-1.4	-7.2
<b>Balance as of 12/31/2014</b>	<b>265.7</b>	<b>510.1</b>	<b>207.4</b>	<b>1.4</b>	<b>984.6</b>
<b>Carrying amounts as of 12/31/2013</b>	<b>390.5</b>	<b>292.8</b>	<b>116.6</b>	<b>10.5</b>	<b>810.3</b>
<b>Carrying amounts as of 12/31/2014</b>	<b>364.2</b>	<b>299.1</b>	<b>120.7</b>	<b>15.1</b>	<b>799.1</b>

Plant and machinery contains slot machines with a book value of EUR 286.6 million (previous year: EUR 281.9 million) for the Group's own operations and rental.

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) in the amount of EUR 5.9 million (previous year: EUR 21.6 million).

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

## Finance lease

NOVOMATIC Group as lessee:

The carrying amount of intangible assets held under finance lease aggregates at EUR 4.5 million (previous year: EUR 0.0 million). These lease contracts concern platforms that are disclosed under other intangible assets. The term of the leases is 4 years.

The carrying amount of the Group's property, plant and equipment held under finance lease totals EUR 1.3 million (previous year: EUR 2.1 million). The tangible assets held under finance lease comprise plant and machinery, office equipment, and vehicles. The terms of the finance lease contracts lie between 3 and 5 years.

The carrying amount of the Group's investment property held under finance lease adds up to EUR 12.9 million (previous year: EUR 13.4 million). After expiration of the agreement, ownership of the property will be transferred to the Group.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Within one year	2.1	1.5	2.0	1.4
Between one and five years	6.5	3.6	6.0	3.2
Over five years	0.0	0.0	0.0	0.0
<b>Total</b>	<b>8.6</b>	<b>5.1</b>	<b>7.9</b>	<b>4.5</b>
Minus prospective financing costs	-0.7	-0.5		
<b>Present value of lease obligations</b>	<b>7.9</b>	<b>4.5</b>		

NOVOMATIC Group as lessor:

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

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Within one year	8.7	10.1	7.3	8.6
Between one and five years	11.5	16.6	10.4	13.0
Over five years	0.0	0.0	0.0	0.0
<b>Total</b>	<b>20.2</b>	<b>26.7</b>	<b>17.7</b>	<b>21.6</b>
Minus prospective financing income	-2.5	-5.1		
<b>Present value of lease receivables</b>	<b>17.7</b>	<b>21.6</b>		

## Operating lease

NOVOMATIC Group as lessee:

From the use of tangible assets not recognized on the balance sheet (buildings and vehicles), obligations resulting from lease, tenancy and rent agreements exist in the following amounts:

EUR m	12/31/2014	12/31/2013
For the next year	53.0	49.2
For the second to and including the fifth year	123.8	96.6
Over five years	53.9	35.7

NOVOMATIC Group as lessor:

The Group concluded contracts for the rental of gaming machines with mainly irredeemable terms between 12 and 24 months. The gaming machines are shown in the tangible fixed assets as plant and machinery. The rent payments during the reporting period are shown as sales under income from rent and management services. Within the rent payments, conditional lease payments amount to EUR 166.9 million (previous year: EUR 142.0 million).

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

EUR m	12/31/2014	12/31/2013
For the next year	118.8	141.3
For the second to and including the fifth year	23.2	41.4
Over five years	0.3	0.0

## (3) Investment property

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	19.2	27.0
Currency translation adjustments	0.1	-0.8
Additions	0.0	0.1
Disposals	0.0	-0.3
Reclassification as held for sale	0.0	-6.4
Depreciation/amortization	-0.6	-0.6
Reversal of an impairment	0.1	0.2
<b>Balance as of 12/31</b>	<b>18.8</b>	<b>19.2</b>

Investment property denotes land and buildings that are not currently used in business operations. The gross carrying amount totals up to EUR 28.4 million (previous year: EUR 28.1 million) and the accumulated depreciation amounts to EUR 9.5 million (previous year: EUR 8.9 million). For the determination of the fair value, external valuation reports from regional independent experts were obtained in 2012. Since the underlying assumptions did not change significantly, the reports have not been updated. Accordingly, the fair value (fair value hierarchy level 3) amounts to EUR 24.5 million (previous year: EUR 24.2 million).

Both income and expenditures from investment property were insignificant.

#### (4) Investments in associated companies

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	76.9	95.3
Currency translation adjustments	-1.7	-10.6
Additions	0.0	13.5
Share of post-acquisition profits	2.0	-0.2
Disposals	-77.0	-13.5
Transition to full consolidation	0.0	-7.6
Balance as of 12/31	<b>0.3</b>	76.9

The companies recognized at equity on the consolidated balance sheet are shown in the investment schedule. During the reporting year, the holdings in the associated companies Novosun S.A., Chile and H. Polanz GmbH, Austria were disposed of. The resulting gains and losses on disposal are recognized in other financial income or other financial expenses.

The following chart shows the basic data from the balance sheet and income statement of the companies recognized at equity, whereas the data corresponds to 100% and not to the percentage of shares owned by NOVOMATIC Group in associated companies:

EUR m	12/31/2014	12/31/2013
Assets	11.8	279.2
Liabilities	10.3	127.8
Revenues	0.9	136.6
Results	0.1	-0.7

#### (5) Non-current financial assets

EUR m	12/31/2014	12/31/2013
Investments in affiliated companies, non-consolidated	7.5	5.5
Securities	7.1	10.3
Other investments	0.5	0.8
<b>Total</b>	<b>15.1</b>	<b>16.7</b>

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

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

#### (6) Taxes

Current taxes:

EUR m	12/31/2014	12/31/2013
Current tax receivables	27.9	21.9
Non-current tax liabilities	19.3	16.8
Current tax liabilities	40.6	30.5

Deferred taxes:

EUR m	12/31/2014	12/31/2013
Deferred tax assets	96.5	71.9
Deferred tax liabilities	-58.3	-42.8 <sup>1)</sup>
<b>Total</b>	<b>38.2</b>	<b>29.1</b>

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

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

EUR m	12/31/2014	12/31/2013
Intangible assets	-34.0	-26.4 <sup>1)</sup>
Property, plant and equipment	25.1	27.1
Non-current financial assets	3.1	3.9
Other non-current assets	-3.9	-2.3
Inventories	8.7	4.9
Current financial assets	-2.2	-0.1
Trade and other receivables	0.9	1.1
Non-current financial liabilities	1.4	1.4
Other non-current liabilities	0.1	0.1
Non-current provisions	7.9	6.0
Current financial liabilities	0.3	0.0
Current provisions	0.9	1.4
Trade payables and other liabilities	4.8	3.8
Tax loss carry forward	25.2	8.3
<b>Total</b>	<b>38.2</b>	<b>29.1</b>

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

Income tax charged directly to equity:

EUR m	2014	2013
Revaluation of available-for-sale securities	2.7	0.1
Remeasurement of the net defined benefit liability	2.5	1.8

EUR 24.8 million (previous year: EUR 18.1 million) of deferred taxes are classified as non-current and EUR 13.4 million (previous year: EUR 11.1 million) as current.

In accordance with IAS 12, deferred tax assets on the accumulated loss carried forward adding up to EUR 25.2 million (previous year: EUR 8.3 million) were recognized because they can be offset against taxable income in the future. Tax assets are netted with tax liabilities if they concern the same tax authority and if the right and intention to offset exist.

In 2014, subsidiaries that incurred high losses in the prior year or the years before have carried forward tax losses in the amount of EUR 159.3 million (previous year: EUR 134.1 million) that can no longer be utilized. Of the carried forward tax losses that are still utilizable – the value of which is EUR 34.8 million (previous year: EUR 28.7 million) – EUR 0.2 million will expire in 2015 (previous year: EUR 2.4 million in 2014), and EUR 34.6 million will expire in 2016 ff (previous year: EUR 26.3 million in 2015 ff).

Dividends from investments in domestic and foreign companies are tax-exempt at the level of the Austrian parent company. In Estonia and Macedonia, an elevated tax rate is applied at the Group level in case of a disbursement. Since no disbursements are

expected from the subsidiaries in those countries in the near future, this has no effect on the Group.

No deferred tax liability was recognized on the temporary differences resulting from the proportionate IFRS equity values and the tax base of the subsidiaries amounting to EUR 1,034.8 million (previous year: EUR 768.3 million), since those temporary differences will probably not be reversed in the near future.

#### (7) Other non-current assets

EUR m	12/31/2014	12/31/2013
Loans	20.4	34.8
Accounts receivable from finance lease	10.4	13.0
Miscellaneous other non-current assets	80.3	91.9
<b>Total</b>	<b>111.1</b>	<b>139.7</b>

Non-current assets in the amount of EUR 44.0 million (previous year: EUR 48.4 million) result from contractual arrangements with concessionaires granting the NOVOMATIC Group the rights of use for VLT (Video Lottery Terminal) licenses.

#### (8) Inventories

EUR m	12/31/2014	12/31/2013
Raw materials and supplies	76.3	73.5
Work-in-progress	24.0	21.5
Finished goods and trade goods	74.5	66.5
Prepayments	4.7	3.2
<b>Total</b>	<b>179.4</b>	<b>164.7</b>

Writedown of inventories amounts to EUR 53.0 million (previous year: EUR 44.4 million).

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

EUR m	12/31/2014	12/31/2013
Trade receivables	170.8	134.7
Receivables from non-consolidated affiliated companies	1.6	0.1
Receivables from associated companies	0.0	0.3
Prepaid expenses	31.2	24.0
Other current receivables and assets	84.2	72.2
<b>Total</b>	<b>287.9</b>	<b>231.2</b>

Impairment of trade receivables amounts to EUR 32.4 million (previous year: EUR 34.5 million). The impairment expenses of the year under report are recognized as other operating expenses in the income statement. Due to these impairments, there exist no substantial overdue receivables that have not been written down.

The age structure of the trade receivables is as follows:

EUR m	12/31/2014	12/31/2013
Receivables without valuation allowance		
not overdue	59.4	52.2
overdue up to 3 months	24.7	16.8
overdue between 3 and 6 months	7.7	24.7
overdue for more than 6 months	11.1	14.7
Receivables with valuation allowance	67.9	26.3
<b>Total</b>	<b>170.8</b>	<b>134.7</b>

The trade receivables shown above disclose the amounts that are overdue at the balance sheet date. The Group has not created any provisions for writedowns for these amounts, as no material changes to the creditworthiness have been detected, and recoverability of outstanding amounts is also expected. The receivables from non-consolidated affiliated companies include trade receivables in the amount of EUR 0.1 million (previous year: EUR 0.0 million).

Other current receivables and assets are comprised primarily of the offset with tax authorities and with payment service providers, as well as deferred income and precious metals. Precious metals with a book value of EUR 31.8 million (previous year: EUR 28.1 million) are evaluated with respect to the market price (fair value hierarchy – level 2). Changes in value due to subsequent measurement are accounted for as other operating income or expenses amounting to EUR 3.7 million (previous year: EUR -8.3 million).

The carrying values of trade and other receivables approximate their fair values.

#### (10) Current financial assets

EUR m	12/31/2014	12/31/2013
Securities	13.2	24.4
Loans	5.3	3.0
Accounts receivable from finance lease	7.3	8.6
Other current financial assets	3.1	0.1
<b>Total</b>	<b>28.9</b>	<b>36.1</b>

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

#### (11) Cash and cash equivalents

EUR m	12/31/2014	12/31/2013
Cash	103.1	99.5
Bank deposit	524.1	318.0
<b>Total</b>	<b>627.2</b>	<b>417.6</b>

The major part of the stated cash is tied up as cash reserves and base filling of the gaming machines at the various gaming establishments. The book value of cash and cash equivalents equals their fair value.



## (12) Assets held for sale

The Group decided to sell a company whose assets consist mainly of a developed property, and initiated the selling process. In accordance with IFRS 5, all assets and liabilities of the company concerned are classified as held for sale. The carrying value of assets held for sale amounting to EUR 6.8 million in 2013 has fallen to EUR 4.3 million in 2014 due to unfavorable exchange rate effects and mainly concerns the developed property, which was previously classified as investment property. Currency translation adjustments in the amount of EUR -2.5 million (previous year: EUR -0.7 million) are stated cumulatively in other comprehensive income. As a result of the unfavorable economic conditions in the corresponding country, which have negative impacts on the sales process, impairment in the amount of EUR 2.2 million was recognized.

## (13) Share capital

The share capital of EUR 26.0 million is fully issued, entirely paid in, and divided into 26,000,000 registered no-par value shares. Each share corresponds to EUR 1 of the share capital.

## (14) Capital reserve

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

## (15) Retained earnings

The retained earnings consist of the Group's consolidated profit for the year and of the accumulated profits from previous periods. The retained profits also include an amount of EUR 1.6 million which, combined with the tied-up capital reserves of EUR 1.0 million to make EUR 2.6 million, represents the tied-up reserves of 10% of the share capital according to section 229 para 4 Austrian Company Code. Retained earnings are also comprised of the reevaluation of net debt from defined benefit obligations amounting to EUR -7.3 million (previous year: EUR -5.2 million), whereby the change of EUR -2.0 million (previous year: EUR 0.2 million) is stated in other comprehensive income.

## (16) Revaluation reserve

The revaluation of securities available for sale is stated in the revaluation reserve. The revaluation amounts to EUR -9.4 million (previous year: EUR -0.5 million), whereby the change of EUR -8.9 million (previous year: EUR -5.8 million) is stated in other comprehensive income.

## (17) Currency translation adjustment

Upon consolidation, differences from the translation of foreign subsidiaries at the exchange rates prevailing on the balance sheet date are transferred to this position. For fiscal year 2014, changes in the currency translation adjustment amount to EUR 1.5 million (previous year: EUR -4.4 million) in other comprehensive income. Due to deconsolidation, EUR 12.0 million have been reclassified from other comprehensive income into the Consolidated Income Statement.

## (18) Non-controlling interests

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. The portion allocable to the non-controlling interests from change of foreign currency translation adjustments in the amount of EUR 0.3 million (previous year: EUR -0.8 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

EUR m	12/31/2014				12/31/2013		
	Non-controlling interests (%)	Net income attributable to non-controlling interests Profit / Loss	Accumulated non-controlling interest	Non-controlling interests (%)	Net income attributable to non-controlling interests Profit / Loss	Accumulated non-controlling interest	
<b>Gaming Technology</b>							
Crown Gaming S.A.C., Peru	35 %	-1.3	5.1	35 %	-0.1	6.4	
GiGames S.L., Spain	20 %	-0.1	5.4	–	–	–	
Allstar Srl, Italy		–	–	35 %	-1.1	3.1	
<b>Gaming Operations</b>							
Admiralu Klubs SIA, Latvia	40 %	2.1	14.8	40 %	1.8	13.4	
Alfor SIA, Latvia	40 %	4.6	14.1	40 %	3.5	10.3	
Adria Gaming Vicenza Srl, Italy		–	–	35 %	-4.4	-6.2	
Adria Gaming Bolzano Srl, Italy		–	–	35 %	-3.5	-6.6	
<b>Marginal non-controlling interest</b>		-0.4	6.3		-4.1	9.0	
<b>Total</b>		<b>5.0</b>	<b>45.7</b>		<b>-7.8</b>	<b>29.5</b>	

The amounts held as non-controlling interest correspond to the voting rights, whereby Adria Gaming Vicenza Srl and Adria Gaming Bolzano Srl were held indirectly through the Allstar Srl in 2013. The following financial information regarding Allstar Srl also refers to these two subsidiaries. Through purchase of the remaining non-controlling interests of Allstar Srl in 2014, the indirectly held non-controlling interests in its subsidiaries have also been eliminated.

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

EUR m	12/31/2014			
	Crown Gaming S.A.C., Peru	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia
<b>Balance sheet</b>				
Non-current assets	32.3	20.5	36.0	25.9
Current assets	21.1	26.1	5.2	14.6
Non-current liabilities	12.3	6.2	3.3	1.5
Current liabilities	26.6	13.3	1.1	3.7
<b>Income statement</b>				
Revenues	14.7	1.4	19.9	56.9
Profit after taxes	-2.3	-0.3	5.3	11.4
<b>Dividends paid to non-controlling interest</b>	0.0	0.0	0.8	0.8
<b>Cash flow</b>				
from operating activities	7.5	-0.4	7.2	16.6
from investing activities	-0.2	-23.1	-1.7	-5.1
from financing activities	0.4	-0.4	-0.8	-0.8
Net change in cash and cash equivalents	7.7	-23.9	4.7	10.7

EUR m	12/31/2013			
	Crown Gaming S.A.C., Peru	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia	Allstar Srl, Italy
<b>Balance sheet</b>				
Non-current assets	36.1	30.1	22.4	126.7
Current assets	16.0	8.7	17.4	26.1
Non-current liabilities	14.2	3.1	1.1	92.1
Current liabilities	19.7	2.1	12.9	20.1
<b>Income statement</b>				
Revenues	11.1	19.2	54.5	38.3
Profit after taxes	-0.4	4.5	8.9	-25.6
<b>Dividends paid to non-controlling interest</b>	0.0	0.0	3.5	0.0
<b>Cash flow</b>				
from operating activities	4.3	5.8	11.4	-5.3
from investing activities	1.9	-1.3	-4.7	-10.6
from financing activities	-4.3	0.0	-3.5	-0.2
Net change in cash and cash equivalents	1.9	4.5	3.2	-16.1

During fiscal year 2014, NOVOMATIC Group has increased its share of ownership in some subsidiaries. It acquired an additional 35% of Allstar Srl in Italy, 10% of Betware Holding hf in Iceland, and 20% of So.Ge.Slot SpA in Italy. All these changes in ownership interest have been accounted for as equity transactions.

#### (19) Non-current financial liabilities

EUR m	12/31/2014	12/31/2013
Bonds	593.1	591.2
Bank loans	35.3	228.8
Obligations under finance leases	6.0	3.2
Other long-term financial liabilities	2.2	2.7
<b>Total</b>	<b>636.5</b>	<b>825.9</b>

NOVOMATIC AG issued bonds with the following terms and conditions:

	200 EUR m	150 EUR m	250 EUR m	200 EUR m
Nominal value	200 EUR m	150 EUR m	250 EUR m	200 EUR m
Term	2010-2015	2010-2017	2013-2019	2014-2021
Denomination	EUR 500.-	EUR 500.-	EUR 500.-	EUR 500.-
Nominal interest rate	4.50 % p.a.	5.00 % p.a.	4.00% p.a.	3.00 % p.a.
Coupon	01/22 every year	10/27 every year	01/28 every year	06/23 every year
Redemption	01/22/2015 bullet	10/27/2017 bullet	01/28/2019 bullet	06/23/2021 bullet
Closing price 12/31/2014	EUR 100.39	EUR 107.925	EUR 104.508	EUR 101.315
ISIN	AT0000A0G3Z9	AT0000A0KSM6	AT0000A0XSN7	AT0000A182L5

The bond redeemable in January 2015 is now recognized under other current liabilities.

During the reporting period, the company issued a bond with a volume of EUR 200.0 million, an interest rate of 3.0 % p.a. and maturity on 23 June 2021 (bullet repayment at maturity). The bonds are listed on the second regulated market at the Vienna Stock Exchange.

Bonds of the Group with a nominal value of EUR 16.9 million (thereof EUR 7.6 million in previous year) have been bought back. The partial book value of this repurchase has been deducted from bond liabilities, whereas the exceeding part of the repurchase price of EUR -0.8 million (thereof EUR -0.9 million in previous year) has been accounted for in financial expenses.

The fair value of the bonds issued amounts to EUR 809.4 million (previous year: EUR 615.1 million), of which EUR 620.5 million is long-term and EUR 188.8 million is short-term.

The fair value of bank loans amounts to EUR 37.6 million (previous year: EUR 231.8 million). Bank loans with a term of 1–5 years amount to EUR 27.5 million (previous year: EUR 194.7 million) and those of over 5 years to EUR 7.8 million (previous year: EUR 34.1 million). The weighted average interest rate comes to 3.91 % (previous year: 3.77%).

## (20) Non-current provisions

EUR m	12/31/2014	12/31/2013
Provision for severance payments	19.8	25.5 <sup>1)</sup>
Provision for pensions	18.4	13.6 <sup>1)</sup>
Provision for jubilee payments	4.8	5.0
Other long-term provisions	10.2	8.2
<b>Total</b>	<b>53.3</b>	<b>52.4</b>

<sup>1)</sup> Adjustment of previous-year's figures due to changes in presentation

### Provision for severance payments

Due to legal or collectively agreed obligations, employees in Austria and Italy are entitled to receive severance payments upon termination of employment or upon reaching normal retirement age. Such entitlements depend on their years of service and final compensation levels. Provisions are generated according to actuarial principles for the future liabilities. The amount of the future obligations was calculated according to the regulations of IAS 19 in application of the projected unit credit method at a discount rate of 1.5% to 2.0% (previous year: 2.5% to 2.9%) and assuming a pay increase of 1.0% to 2.5% (previous year: 1.0% to 3.0%). The estimated retirement age refers to the earliest possible retirement age according to local legislation. Discounts due to fluctuations or other factors are not taken into account.

Expenses for severance payments recognized as personnel cost:

EUR m	12/31/2014	12/31/2013
Current service cost	3.0	3.3
Interest cost	0.4	0.5
Profit from the settlement	-1.3	0.0
<b>Expense for the year</b>	<b>2.1</b>	<b>3.8</b>

Provision for severance payments shown on the balance sheet:

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	25.5	21.2 <sup>1</sup>
<b>Amounts recognized in income statement</b>		
Current service cost (+)	3.0	3.3
Interest cost (+)	0.4	0.5
Profit from the settlement	-1.3	0.0
<b>Remeasurement of the period (other comprehensive income)</b>		
Actuarial gains/losses from the change in demographic assumptions	-0.3	0.0
Actuarial gains/losses from the change in financial assumptions	1.3	-0.2
Payments (-)	-8.7	-0.5
Change in the consolidation scope	-0.1	1.2
<b>Present value of obligation as of 31 December</b>	<b>19.8</b>	<b>25.5</b>

<sup>1)</sup> Adjustment of previous year's figures due to changes in presentation

Sensitivity analysis for severance payments:

EUR m	Change of the parameter	Change in the present value of obligation
		12/31/2014
Discount rate	0.5%	-0.7
Discount rate	-0.5%	0.8
Salary increase	0.5%	0.8
Salary increase	-0.5%	-0.7

As of 31 December 2014 the average maturity of severance obligations is 10 to 17 years (previous year: 9 to 17 years), depending on the country. Payments in the amount of EUR 3.0 million (previous year: EUR 10.6 million) are expected for the next fiscal year.

## Provision for pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to executive board members and employees beginning with the date of their retirement. Such entitlements depend on years of service and final compensation levels. The provision for pensions is calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 2.0% to 2.4% (previous year: 2.9% to 3.4%) and taking adjustments of values from 2.0% to 3.0% (previous year: 2.0% to 3.0%) into account.

Expenses for pensions recognized as personnel cost:

EUR m	12/31/2014	12/31/2013
Current service cost	0.5	0.5
Interest cost	0.4	0.4
Past service cost	2.8	0.0
<b>Expense for the year</b>	<b>3.8</b>	<b>1.0</b>

Provision for pensions shown on the balance sheet:

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	13.6	13.2 <sup>1)</sup>
<b>Amounts recognized in income statement</b>		
Current service cost (+)	0.5	0.5
Interest cost (+)	0.4	0.4
Past service cost	2.8	0.0
<b>Remeasurement of the period (other comprehensive income)</b>		
Actuarial gains/losses from the change in financial assumptions	1.5	-0.1
Payments (-)	-0.5	-0.4
<b>Present value of obligation as of 31 December</b>	<b>18.5</b>	<b>13.6</b>

<sup>1)</sup> Adjustment of previous year's figures due to changes in presentation

Sensitivity analysis for pensions:

EUR m	Change of the parameter	Change in the present value of obligation 12/31/2014
Discount rate	0.5%	-2.2
Discount rate	-0.5%	2.8
Pension increase	0.5%	1.6
Pension increase	-0.5%	-1.4

As of 31 December 2014, the average maturity of pension obligations is between 5 and 15 years (previous year: between 6 and 14 years), depending on the country. Payments in the amount of EUR 0.4 million (previous year: EUR 0.4 million) are expected for the next fiscal year.

### Provisions for jubilee payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 1.9% to 3.45% (previous year: 2.9% to 3.95%) and a pay increase of 2.0% to 4.0% (previous year: 2.0% to 4.0%). A fluctuation discount based on an internal statistic concerning the withdrawals of the previous 3 years and considering probable individual continuance in the company was taken into account.

Expenses for jubilee payments recognized as personnel cost:

EUR m	12/31/2014	12/31/2013
Current service cost	1.2	1.3
Interest cost	0.1	0.1
Actuarial gains/losses	-0.9	-0.2
<b>Expense for the year</b>	<b>0.5</b>	<b>1.2</b>

Provision for jubilee payments shown on the balance sheet:

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	5.0	4.0
<b>Amounts recognized in income statement</b>		
Current service cost (+)	1.2	1.3
Interest cost (+)	0.1	0.1
Actuarial gains/losses	-0.9	-0.2
Payments (-)	-0.7	-0.2
<b>Present value of obligation as of December 31</b>	<b>4.8</b>	<b>5.0</b>

### Other long-term provisions

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

EUR m	12/31/2014	12/31/2013
Balance as of 01/01	8.2	6.1
Currency translation adjustments	0.2	-0.1
Change in the consolidation scope	2.9	0.7
Consumption	-0.3	-1.4
Release	-2.6	0.0
Allocation	1.8	5.0
Reclassifications	0.0	-2.1
Unwind of discount	0.0	0.0
<b>Balance as of 12/31</b>	<b>10.2</b>	<b>8.2</b>

### (21) Other non-current liabilities

EUR m	12/31/2014	12/31/2013
Deferred income	0.6	0.7
Other non-current liabilities	5.0	4.8
Purchase price obligations	15.7	21.8
<b>Total</b>	<b>21.2</b>	<b>27.3</b>

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

### (22) Current financial liabilities

EUR m	12/31/2014	12/31/2013
Bond	187.7	0.0
Short-term bank liabilities	79.1	23.6
Short-term obligations under finance leases	2.0	1.4
Short-term financial liabilities	1.3	0.4
Derivatives	0.0	1.3
<b>Total</b>	<b>270.1</b>	<b>26.7</b>

The short-term financial liabilities are due for settlement within one year. Concerning the short-term bond, we refer to the explanations in note (19). The stated amount of short-term bank loans approximates their fair value.

### (23) Current financial liabilities

EUR m	Other provisions for personnel	Warranties	Obligations for legal issues	Other short-term provisions	Total
Balance as of 12/31/2013	9.5	2.5	50.0	28.3	90.2
Currency translation adjustments	0.1	0.0	0.0	0.3	0.4
Change in the consolidation scope	0.0	0.0	0.0	0.0	0.0
Consumption	-9.4	0.0	-47.7	-17.2	-74.4
Release	-0.3	0.0	-0.4	-7.7	-8.4
Allocation	11.4	0.4	1.3	22.1	35.1
Reclassifications	0.0	0.0	0.0	0.0	0.0
<b>Balance as of 12/31/2014</b>	<b>11.2</b>	<b>2.9</b>	<b>3.1</b>	<b>25.8</b>	<b>42.9</b>

Because of pending litigation against G. Matica Srl, an Italian-based subsidiary of the NOVOMATIC Group, a provision in the amount of EUR 47.3 million was set in fiscal year 2013. In November 2014, this legal conflict was finally concluded by means of a settlement agreement. The amount paid equals the one that had been set as a reserve in 2013. In addition to that, the Italian tax authority officially confirmed in December 2014 that the specified sum will be recognized as tax deduction and will reduce the tax base.

Current provisions contain provisions in the amount of EUR 1.4 million due to the altered legal framework in Vienna. They cover personnel costs, rental costs and provisions for former leased objects. Other current provisions consist mainly of marketing costs and provisions for sites.

### (24) Trade payables and other liabilities

EUR m	12/31/2014	12/31/2013
Trade payables	79.3	70.2
Payables to non-consolidated affiliated companies	1.8	1.6
Payables to associated companies	0.0	0.0
Downpayments received	4.2	4.0
Deferred income	37.2	37.8
Liabilities to employees	48.9	33.2
Other liabilities from social security obligations	9.1	9.4
Other taxes (except income tax)	74.2	66.1
Purchase price obligations	3.7	9.0
Other short-term liabilities	59.3	65.1 <sup>1</sup>
<b>Total</b>	<b>317.6</b>	<b>296.5</b>

<sup>1</sup> Adjustment of previous-year's figures according to IFRS 3 „Business combinations“

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

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



Other short-term liabilities consist mainly of credit balances with tax offices, deposits received, outstanding invoices, accrued interest, and short-term clearing accounts. Furthermore, short-term liabilities include provisions in the amount of EUR 1.5 million for Vienna.

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

## Notes to the Consolidated Income Statement

The income statement was prepared applying the total expenditure format.

### (25) Revenues

EUR m	2014	2013
Sale revenues	204.5	167.5
Operation of slot machines	883.5	745.9
Income from rent and management services	551.2	505.6
Betting income	62.6	45.9
eBusiness income	157.5	128.3
Income from food and beverage	28.7	26.0
Other sales	97.3	75.5
Sales reduction	-7.7	-10.7
<b>Total</b>	<b>1,977.6</b>	<b>1,684.1</b>

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

EUR m	2014	2013
Changes in inventories of finished goods and work in progress	11.4	20.1
Own work capitalized	111.9	123.1
<b>Total</b>	<b>123.2</b>	<b>143.3</b>

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

### (27) Other operating income

EUR m	2014	2013
Income from the disposal of intangible assets and property, plant and equipment	11.2	6.5
Other operating income	99.9	68.3 <sup>1</sup>
<b>Total</b>	<b>111.2</b>	<b>74.8</b>

<sup>1</sup> Adjustment of previous year's figures due to changes in presentation

Other operating income consists mainly of income from earn-out allocations associated with the sale of fully consolidated subsidiaries amounting to EUR 41.8 million (previous year: EUR 32.3 million). Foreign exchange gains amount to EUR 14.2 million (previous year: EUR 0.8 million).

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

EUR m	2014	2013
Material cost	-248.9	-232.1
Purchased services for production	-3.9	-3.4
<b>Total</b>	<b>-252.8</b>	<b>-235.5</b>

## (29) Personnel costs

EUR m	2014	2013
Wages and salaries	-411.0	-343.3
Expenses for severance payments	-5.3	-7.8
Expenses for pensions	-6.3	-2.5
Expenses for mandatory social contributions and payroll-related taxes	-83.0	-72.2
Other social expenses	-6.7	-5.5
<b>Total</b>	<b>-512.4</b>	<b>-431.3</b>

Expenses for defined contribution plans are included in the expenses for severance payments in the amount of EUR 1.7 million (previous year: EUR 1.4 million) and in the expenses for pension plans in the amount of EUR 1.2 million (previous year: EUR 0.5 million).

The increase in personnel costs is due to collectively agreed and individual pay increases and, in particular, to an increase in the number of employees in the Group.

The average number of employees evolved as follows:

	2014	2013
Salaried employees	6,856	5,977
Workers	11,128	9,849
<b>Total</b>	<b>17,984</b>	<b>15,826</b>

## (30) Amortization/depreciation and impairment of intangible assets, property, plant and equipment and investment property

EUR m	2014	2013
Scheduled depreciation/amortization	-250.3	-248.9
Impairment	-43.8	-56.5
Reversal of an impairment	10.1	0.2
<b>Total</b>	<b>-284.1</b>	<b>-305.2</b>

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

Value adjustments relate to the segment "Gaming Technology" in the amount of EUR 4.6 million (previous year: EUR 2.6 million), to the segment "Gaming Operations" in the amount of EUR 36.4 million (previous year: EUR 53.9 million), and to "Other" in the amount of EUR 2.8 million (previous year: EUR 0.0 million).

(31) Gaming taxes and betting fees

EUR m	2014	2013
Gaming taxes	-170.7	-141.0
Betting fees	-7.3	-5.8
<b>Total</b>	<b>-178.0</b>	<b>-146.8</b>

(32) Other operating expenses

EUR m	2014	2013
Other taxes, fees and other charges	-55.0	-43.7
Maintenance	-34.1	-31.7
Energy	-27.6	-24.3
Telephone, communications	-10.7	-11.3
Rent and lease payments	-104.1	-92.3
Insurance	-5.5	-4.5
Vehicle fleet operation costs	-14.1	-13.1
Legal, audit and consulting costs	-30.5	-22.1
Other services received	-37.1	-33.5
Advertising costs	-100.5	-81.6
Travelling costs	-11.6	-9.4
Development, license and patent costs	-21.7	-22.9
Commissions	-7.7	-7.4
Partners' shares	-33.9	-25.0
Bad debt and valuation adjustment	-12.7	-17.9
Loss from the disposal of fixed assets	-6.2	-5.8
Obligations for legal issues	0.0	-47.3
Other expenses	-117.6	-119.7
Release of provisions	9.1	5.1
<b>Total</b>	<b>-621.5</b>	<b>-608.5</b>

Other expenses comprise foreign exchange losses amounting to EUR 8.7 million (previous year: EUR 7.8 million). Concerning the provisions for legal issues we refer to (23).

(33) Share of profit/loss of associated companies

EUR m	2014	2013
Novosun S.A.	2.0	-0.8
H. Polanz GmbH	0.0	0.7
Pratergarage Errichtungs- und Betriebsges.m.b.H.	0.1	-0.1
<b>Total</b>	<b>2.0</b>	<b>-0.2</b>

### (34) Interest income

EUR m	2014	2013
Interest income	6.9	8.2
Interest from finance lease receivables	1.2	2.1
<b>Total</b>	<b>8.1</b>	<b>10.4</b>

### (35) Other financial income

EUR m	2014	2013
Income from the disposal of financial assets	35.9	2.2
Income from other investments	0.0	0.0
Fair value valuation of interest rate swaps	1.1	1.8
Other financial income	9.2	2.4
<b>Total</b>	<b>46.1</b>	<b>6.4</b>

The sale of 50% of shares in Novosun S.A., Chile, resulted in a disposal loss in the amount of EUR 32.2 million.

Other financial income includes income amounting to EUR 8.4 million (previous year: EUR 0.0 million), which results from the subsequent measurement and settlement of contingent considerations arising from business combinations.

### (36) Interest expenses

EUR m	2014	2013
Interest expenses	-8.2	-12.1
Interest on bonds	-30.1	-27.1
Interest on obligation under finance lease	0.0	-0.1
<b>Total</b>	<b>-38.3</b>	<b>-39.3</b>

### (37) Other financial expenses

EUR m	2014	2013
Losses from the disposal of financial assets	-4.7	-14.0
Impairment of financial assets, loans and securities	-6.6	-12.0
Other financial expenses	-2.2	-6.0
<b>Total</b>	<b>-13.5</b>	<b>-32.1</b>

The transfer of 50% of the shares in H. Polanz GmbH, Austria, resulted in a disposal loss in the amount of EUR 4.6 million. The previous year, the transfer of 45% of shares of TAP dayli VetriebsGmbH had triggered a disposal loss in the amount of EUR 13.5 million. Accordingly, an impairment in the amount of EUR 10.2 million has been recognized for the related loans.

Other financial expenses include expenses in the amount of EUR 0.0 million (previous year: EUR 4.3 million), which result from the subsequent measurement of contingent considerations arising from business combinations.

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

Foreign currency effects resulting from intra-group financing are stated separately in the financial result because of their close connection to financing activities. Exchange rate profit and loss amounts to EUR 0.6 million (previous year EUR -14.1 million).

(39) Income taxes

EUR m	2014	2013
Current income tax expenses	-109.6	-97.1
Current income tax relating to other periods	3.0	3.0
Deferred tax income/expense	15.2	43.4
<b>Total</b>	<b>-91.4</b>	<b>-50.8</b>

A reconciliation of income tax applying the Austrian corporate income tax rate of 25% (previous year: 25%) to the effective tax rate for the 2014 fiscal year is stated below:

EUR m	2014	2013
<b>Earnings before taxes</b>	<b>368.4</b>	<b>105.9</b>
<b>Computed income tax expense of 25% (previous year: 25%)</b>	<b>-92.1</b>	<b>-26.5</b>
<b>Adjustment of the computed income tax expense</b>		
Differing foreign tax rates	-8.6	-3.4
Effects of non-taxable income	10.1	7.9
Effects of non-deductible expenses	-12.8	-27.4
Effects of tax advantages	4.9	2.9
Actual income tax relating to other periods	3.0	3.0
Effects of change in tax rate on deferred taxes	-0.1	-0.2
Effects on the real tax expenses of initially not recognized and unused tax losses carry forward and possible offsets	14.0	1.7
Effects on deferred tax expenses of initially not recognized and unused tax losses carry forward and possible offsets	0.2	0.1
Effects of adjustments or of the reversal of a previous adjustment of a deferred tax asset	1.0	0.3
Effects of unused tax losses carry forward and possible offsets not recognized as deferred taxes	-6.0	-10.2
Withholding tax	-1.7	0.6
Other	-3.3	0.4
<b>Effective Group income tax expense</b>	<b>-91.4</b>	<b>-50.8</b>
Effective Group income tax rate	24.8%	47.9%

Income taxes included in the other comprehensive income:

EUR m	2014	2013
Revaluation of available-for-sale securities	2.7	1.8
Remeasurement of the net defined benefit liability	0.7	-0.1

## Notes to the Consolidated Cash Flow

Cash flow from operating, investing and financing activities is shown separately in the consolidated cash flow statement. The consolidated cash flow statement was prepared according to the indirect method. Liquid funds correspond to cash and cash equivalents stated on the balance sheet (note 11).

During the current fiscal year, the Group undertook the following non-cash investing and financing activities that are not reflected in the cash flow statement: receivables related to the sale of fully consolidated subsidiaries amounting to EUR 18.8 million (previous year: EUR 10.3 million) and liabilities concerning the acquisition of companies amounting to EUR 3.8 million (previous year: EUR 43.8 million).

## Notes to Segment Reporting

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

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

The “Gaming Operations” segment consists of the operation of casinos and electronic gaming machine casinos, the betting business (in particular sports, dog racing and horse racing betting), and the online B2C operation.

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

The inter-segment exchange of goods and services shows the supply and service relationships between the operating segments. The charging is carried out at arm’s length. Intercompany expenses, income and profits are eliminated on consolidation.

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

Unallocated assets and/or debts comprise those items on the balance sheet which are not defined as segment assets or segment debts and are used for the transition to the consolidated value.

Due to disclosure and/or allocation changes in 2014, comparative values for 2013 have been adjusted accordingly.

## Segment revenues

01 -12/2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	805.2	1.155.4	17.1	0.0	1,977.6
Intra-segment revenues	106.5	9.3	6.5	-122.4	0.0
<b>Total revenues</b>	<b>911.7</b>	<b>1.164.7</b>	<b>23.6</b>	<b>-122.4</b>	<b>1,977.6</b>

01-12/2013

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	712.3	965.8	6.0	0.0	1,684.1
Intra-segment revenues	99.1	7.7	7.0	-113.7	0.0
<b>Total revenues</b>	<b>811.4</b>	<b>973.4</b>	<b>13.0</b>	<b>-113.7</b>	<b>1,684.1</b>

## Segment result

01-12/2014

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

01-12/2013

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
<b>Segment result (EBIT)</b>	<b>164.4</b>	<b>23.6</b>	<b>-0.6</b>	<b>-12.5</b>	<b>174.8</b>
Financial result					-68.9
Earnings before taxes					105.9
Income taxes					-50.8
<b>Profit after taxes</b>					<b>55.1</b>

## Segment assets and liabilities

2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-Allocated Assets/Liabilities	Total
Segment assets	1,073.3	790.6	131.6	-186.8	822.7	2,631.4
Segment liabilities	273.5	251.9	9.9	-120.8	1,045.4	1,459.8

2013

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-Allocated Assets/Liabilities	Total
Segment assets	1,070.6 <sup>1</sup>	611.3	86.9	-107.8	700.3	2,361.4
Segment liabilities	246.6 <sup>1</sup>	275.9	21.1	-103.9	970.1	1,409.8

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

## Other segment information

2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/ amortization	-163.0	-82.3	-5.0	0.0	-250.3
Impairment	-4.4	-36.6	-2.8	0.0	-43.8
Reversal of an impairment	1.5	8.6	0.0	0.0	10.1
Investments	151.2	92.7	9.7	0.0	253.6
Investments through business combinations	25.7	124.9	0.0	0.0	150.6
Income from associates	0.0	2.0	0.1	0.0	2.0
Carrying amount of associated companies	0.0	0.0	0.2	0.0	0.2

2013

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/ amortization	-168.0	-77.1	-3.9	0.0	-248.9
Impairment	-2.6	-53.9	0.0	0.0	-56.5
Reversal of an impairment	0.2	0.0	0.0	0.0	0.2
Investments	160.9	99.5	2.1	0.0	262.5
Investments through business combinations	86.1	53.3	14.0	0.0	153.4
Income from associates	0.0	-0.1	-0.1	0.0	-0.2
Carrying amount of associated companies	0.0	76.7	0.2	0.0	76.9

## Geographical information

The Group operates in the geographical regions "Europe" and "International." The revenues and segment assets of the Group are shown below:

01–12/2014

EUR m	Europe	International	Non-Allocated Assets	Total
Segment revenues	1,874.1	103.5	0.0	1,977.6
Segment assets	1,711.7	97.0	822.7	2,631.4

01–12/2013

EUR m	Europe	International	Non-Allocated Assets	Total
Segment revenues	1,590.8	93.3	0.0	1,684.1
Segment assets	1,583.7 <sup>1</sup>	77.4	700.3 <sup>1</sup>	2,361.4

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

The principle used in the geographic allocation of turnover is the destination principle. On the Austrian home market, turnover in the amount of EUR 444.8 million (previous year: EUR 429.0 million) was achieved. Accordingly, the segment assets allotted to Austria total EUR 565.1 million (previous year: EUR 541.6 million).





## Financial Instruments

12/31/2014 EUR m	CATEGORY ACC. TO IAS 39				Fair value			Contingent considerations
	Loans and receivables	Financial assets available for sale	Financial liabilities at amortized costs	Derivatives	Securities	Derivatives		
<b>Financial assets</b>								
Non-current financial assets		15.1			7.1			
Other non-current assets	82.7							
Trade receivables, other receivables and assets	205.2							
Current financial assets	5.3	13.2		2.8	13.2	2.8		
Cash and cash equivalents	627.2							
<b>TOTAL</b>	<b>920.4</b>	<b>28.2</b>	<b>0.0</b>	<b>2.8</b>	<b>20.2</b>	<b>2.8</b>	<b>0.0</b>	
<b>Financial liabilities</b>								
Non-current financial liabilities			630.2					
Other non-current liabilities			13.1				7.0	
Current financial liabilities			268.1					
Trade payables and other liabilities			127.7				2.2	
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>1.039.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.2</b>	

12/31/2013 EUR m	CATEGORY ACC. TO IAS 39				Fair value			Contingent considerations
	Loans and receivables	Financial assets available for sale	Financial liabilities at amortized costs	Derivatives	Securities	Derivatives		
<b>Financial assets</b>								
Non-current financial assets		16.7			10.3			
Other non-current assets	103.3							
Trade receivables, other receivables and assets	170.1							
Current financial assets	3.0	24.4			24.4			
Cash and cash equivalents	417.6							
<b>TOTAL</b>	<b>694.0</b>	<b>41.0</b>	<b>0.0</b>	<b>0.0</b>	<b>34.7</b>	<b>0.0</b>	<b>0.0</b>	
<b>Financial liabilities</b>								
Non-current financial liabilities			821.8					
Other non-current liabilities			10.7				15.3	
Current financial liabilities			24.0	1.3		1.3		
Trade payables and other liabilities			129.8				5.4	
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>986.3</b>	<b>1.3</b>	<b>0.0</b>	<b>1.3</b>	<b>20.7</b>	

CLASSIFICATION ACC. TO IFRS 7								
Amortized costs								
Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares	
								8.0
	14.5	55.6				23.0		
	172.5					32.7		
	7.3	5.3						
627.2								
<b>627.2</b>	<b>194.3</b>	<b>60.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>55.7</b>		<b>8.0</b>
		1.3	593.1	41.8				
						13.1		
		1.3	187.7	81.0				
					85.0	42.6		
<b>0.0</b>	<b>0.0</b>	<b>2.6</b>	<b>780.8</b>	<b>122.8</b>	<b>85.0</b>	<b>55.7</b>		<b>0.0</b>

CLASSIFICATION ACC. TO IFRS 7								
Amortized costs								
Cash and cash equivalents	Trade receivables and Lease	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares	
								6.4
	14.7	74.0				27.6		
	135.1	1.3				33.7		
	8.6	3.0						
417.6								
<b>417.6</b>	<b>158.4</b>	<b>78.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>61.3</b>		<b>6.4</b>
		1.8	591.2	232.0				
						10.7		
		0.4		25.0				
					71.8	58.0		
<b>0.0</b>	<b>0.0</b>	<b>2.2</b>	<b>591.2</b>	<b>257.0</b>	<b>71.8</b>	<b>68.6</b>		<b>0.0</b>

## Valuation of financial instruments

### a. Fair value of financial assets and liabilities carried at fair value in the financial statements

For the purpose of financial reporting, several assets and liabilities of the Group are valued at fair value.

EUR m	12/31/2014	12/31/2013	Hierarchy
<b>Assets</b>			
Financial assets available for sale	20.2	34.7	Level 1
Derivatives	2.8	0.0	Level 2
<b>Liabilities</b>			
Derivatives	0.0	1.3	Level 2
Contingent considerations from business combinations	9.2	20.7	Level 3

Financial assets available for sale consist of listed equity instruments and/or debt instruments. For the valuation, listed money rates on active markets are used with reference to the affirmation of the depository banks.

Derivates comprise interest rate swaps and foreign exchange forwards, the fair value of which is ascertained using the discounted cash flow method. For this, future cash flows are estimated on the basis of forward interest rates (observable yield curves on the balance sheet date) and contracted interest rates and/or on the basis of foreign exchange forward rates (observable rates on the balance sheet date) and contracted foreign exchange rates. Valuations are done by the involved banks.

In order to hedge financial risks the Novomatic Group used derivatives as follows:

EUR m	12/31/2014		12/31/2013	
	Nominal value	Market value	Nominal value	Market value
Interest rate swap, 2007-2014	0.0	0.0	30.0	-0.6
Forward Start IRS, 2010-2014	0.0	0.0	30.0	-0.4
USD futures trading	21.5	2.8	50.4	-0.3

The market value of derivatives is the value that the respective company would gain or need to pay if the respective transactions were realized on the balance sheet date. The change in market value is charged against income.

Contingent considerations from acquisitions result from contractual obligations of the acquiring Group company to pay an increase to the purchase price should sales and/or EBITDA objectives defined in the contract be reached within a certain period after closing. The evaluation of these contingent considerations is based on updated revenue planning and/or EBITDA estimates. Changes after the first accounting in the amount of EUR 8.4 million (previous year: EUR 4.3 million) from the subsequent valuation have been accounted for in other financial income (or other financial expenses). In the balance sheet, contingent considerations of EUR 7.0 million (previous year: EUR 15.3 million) have been recognized under non-current liabilities (purchase price obligations), and EUR 2.2 million (previous year: EUR 5.4 million) have been recognized under trade liabilities and other liabilities (purchase price obligations). Purchase price obligations have a remaining term of 1–3 years. An increase of 10% in the estimated EBITDA and/or revenue planning would effect an increase in the obligations amounting to EUR 1.1 million (previous year: EUR 4.8 million), whereas a decrease of the same values of -10%, would effect a reduction of the obligations amounting to EUR 1.1 million (previous year: EUR 4.8 million).

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

For financial instruments valued at acquisition costs, the book value as well as the fair value is shown as follows:

EUR m	12/31/2014		12/31/2013		Hierarchy
	Book value	Fair value	Book value	Fair value	
<b>Financial liabilities</b>					
Bonds	780.8	809.4	591.2	615.1	Level 1
Bank and lease liabilities	122.3	124.6	257.0	260.0	Level 2

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

For financial assets and liabilities not shown above, it is assumed that the book value is an adequate approximate value for the fair value:

The fair value for cash, trade receivables, trade payables, other current receivables, and other current liabilities corresponds respectively to their book value due to the short remaining terms.

For loans, credits, other non-current receivables, and other noncurrent liabilities, respectively, it is estimated that the difference between book value and fair value is insignificant while default risk is covered by adequate writedowns.

Net result according to IAS 39

12/31/2014		Subsequent measurement			
EUR m	Allowances	at fair value through income statement	at fair value through other comprehensive income	Disposal results	Net results
Loans and receivables	-12.7				-12.7
Derivatives		1.1			1.1
Financial assets available for sale			-9.0	3.6	-5.4
12/31/2013		Subsequent measurement			
EUR m	Allowances	at fair value through income statement	at fair value through other comprehensive income	Disposal results	Net results
Loans and receivables	-17.9				-17.9
Derivatives		1.8			1.8
Financial assets available for sale			-16.0	-11.3	-27.3

Due to the disposal of financial assets available for sale, an amount of EUR -2.0 million (whereof EUR -2.6 million is the fair value and EUR 0.7 million the corresponding tax amount) has been transferred from other comprehensive income to the income statement.

## Capital Risk Management

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

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

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

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

The Novomatic Group has defined an equity ratio of at least 20% and net debt in relation to the EBITDA of not more than 3.75x as target figures.

The equity ratio and the ratio of net indebtedness to EBITDA as per 31 December 2014 and as per 31 December 2013 are calculated as follows:

	2014	2013
Equity ratio (Equity/total)	44.5%	40.3%
Net debt to EBITDA (Net debt/EBITDA)	0.43	0.91

During the 2014 reporting year, an implicit investment grade rating was pursued in order to ensure the availability of third-party funds at reasonable conditions.

## Financial Risk Management

Novomatic Group controls, monitors and limits the financial risks associated with the business segments in which it is active. Control of financial risks is supported by a treasury management system that is established in the industrial and bank sector. The financial risks relevant to the Group are monitored on a regular basis and, if necessary, collateralized to minimize risk.

Alongside the identification, analysis and evaluation of financial risks, the decisions on the implementation of protective measures and instruments are made primarily by headquarters. Implementation of the derivative financial instruments is subject to Group Treasury's monitoring.

## Liquidity Risk

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

Thanks to the Group's conservative financing and debt policy, liquidity risk is limited. But even so, the Novomatic Group accords high priority to the topic of liquidity risk and its control. In order to guarantee the Group's solvency and financial flexibility at all times,

the group maintains a liquidity reserve in the form of revolving usable credit lines (as of 31 December 2014: EUR 440.0 million) and short-term money market investments. Furthermore, a continuous liquidity plan is compiled based on the results of the Group's strategy and planning processes in order to provide an up-to-date impression of the expected development of liquidity on the Group level. Medium-term and long-term financing needs are determined based on projected cash flows.

In order to additionally reduce liquidity risk, Novomatic Group always seeks to have an internationally diversified investor base. For this purpose, relationships with international banks and financial service providers were further intensified in 2014.

In addition to traditional credit financing, the reporting period Novomatic Group continue to focus on capital market-based forms of debt financing such as bonds (as of 31 December 2014: EUR 800 million). The credit facility concluded in July 2008 in the amount of EUR 72.0 million (with an outstanding amount of about EUR 50.0 million) was paid back early in February 2014 due to positive liquidity development.

In February 2014, the revolving utilizable credit line from May 2009, which amounted to EUR 188.5 million and had a term of 5+1+1 years, was likewise terminated prematurely. It was refinanced by a new revolving utilizable credit line amounting to EUR 250.0 million with a term of 6 years.

In June 2014, Novomatic AG issued a further bond in the amount EUR 200 million with a term of 7 years on the Austrian capital market.

The two tranches of the German promissory loans from 2011 amounting to EUR 35.0 million, initially due in December 2016 and December 2018, were also paid off ahead of time at the beginning of December 2014.

In order to reduce refinancing risk, 2014 Novomatic AG continually invest funds in order to provide for the redemption of substantial financial liabilities that will be due in upcoming years. In keeping with its conservative investment strategy, the Group only used short-term money market investments from banks with good (investment-grade) ratings in order to minimize counterparty risk.

The following table shows all payments for redemptions and interest from financial liabilities including derivative financial instruments that had been contractually fixed as of the consolidated balance sheet date. Derivative instruments are shown at their market value, whereas the other liabilities are shown in the amount of the non-discounted cash flows for the following fiscal years:

EUR m	2015	2016–2019	2014	2015–2018
Bonds	211.9	462.9	26.2	413.6
Bank loans	82.5	29.1	29.7	214.1
Lease liabilities	2.1	6.5	1.5	3.6
Trade payables	85.0	0.0	71.8	0.0
Derivatives	0.0	0.0	1.3	0.0
Contingent considerations	2.2	7.0	5.4	15.3
Other payables	42.6	13.1	58.0	10.7

Due to the high level of cash and cash equivalents and the revolving utilizable credit lines, on-time payment is guaranteed.

## Counterparty Risk

Counterparty risk constitutes the risk of delay or default in payment by a contractual partner. In the Group's financing activities, credit relationships with banks that can boast appropriately high ratings (investment grade) predominate.

To screen the default risk for investments (current account balances, money market investments, capital market investments, securities) and for derivatives (positive market value of derivatives), the limits undergo constant monitoring. The limit for counterparty credit risk depends on the type of trade and the counterparty's creditworthiness, with due attention paid to achieving a balanced distribution of the funds in order to avoid non-diversification risk. If a transaction exceeds its limit, measures to meet the defined target figures are initiated immediately. Furthermore, the development of the counterparties' creditworthiness in terms of finance is monitored continually, with counterparty risk limits regularly adapted to correspond with any changes.

The Novomatic Group is also exposed to counterparty credit risk in the area of sales, since customers might not fulfill their payment obligations in full or when they come due. This risk is kept in check by regularly analyzing the creditworthiness of the customer portfolio. The default risk is in some cases reduced via additionally demanded collateral such as received deposits. And contractually secured reservations of title, advance payment in part or in full, direct debiting, and requiring shorter payment terms further minimize the risk to which the Novomatic Group is exposed. Thanks to the high number of business partners, there is no concentration of default risk.

The maximum risk in cases of default on receivables and loans to business partners is limited to their book value. For other financial assets (means of payment, financial instruments available for sale, and other financial instruments with the exception of derivative financial instruments), the maximum credit risk is likewise the book value. For derivative financial instruments, the maximum risk in cases of default is equivalent to the positive fair value of the derivative as of the valuation date.

## Market Risk

### a. Interest rate risk

In the context of its external financing activities and investment strategy, the NOVOMATIC Group is exposed to interest rate risks. Interest rate fluctuations can have a positive or negative effect on the value of financial instruments (present value risk) as well as on the resulting cash flows (cash flow risk). Due to risk management-related considerations, it is seen to that existing debt carries fixed as well as variable interest rates, and that a mix of short-term and long-term financing arrangements are concluded in order to minimize cluster risk.

In order to limit interest rate risk, current interest rate developments are constantly monitored, and interest rate risks are, if necessary, hedged. Due to the high share of fixed-interest bonds in the NOVOMATIC Group's portfolio, the cash flow risk due to increasing interest rates is limited. Variable-interest deposits exceed variable-interest financing vehicles, for which reason cash flow risk due to increasing interest rates is structurally limited.

The Executive Board has defined a guideline for the use of hedging transactions. Derivative financial instruments are concluded exclusively for the purpose of collateralizing existing transactions rather than for speculative purposes. The concluded interest rate swaps that expired during the reporting year are recognized at fair value in the consolidated financial statements.

The following schedule shows the consequences of possible interest rate changes (+/- 50 basis points) for operating profit and on equity based on reasonable judgment. For their calculation, such changes' effects on interest expenses from payment of variable interest on bank obligations, their effects on the interest income from bank deposits bearing variable interest, and their effects on compensatory payments of derivatives were taken into account.



EUR m	2014		2013	
Change (in basis points)	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change in profit before taxes	-0.7	0.7	0.7	-0.3
Change in equity	-0.5	0.5	0.5	-0.2

Due to the continuously falling interest rates and the fact that banks (such as in Switzerland and Germany) have occasionally charged or threatened their customers with negative rates of interest, a potential interest rate reduction by 50 basis points (i.e. negative interest) will be assumed as possible.

#### b. Foreign exchange risks

The risk resulting from fluctuations in the value of financial instruments, other balance sheet items (e.g. receivables and liabilities), and/or cash flows denominated in foreign currencies due to exchange rate fluctuations is called currency risk or exchange risk. This risk resides predominantly in business transactions conducted in currencies other than the local currency of an entity (i.e., in foreign currency) or in regular business activity (direct currency risk), as well as in transactions where the prices for products and services depend on a currency other than the invoicing currency (indirect currency risk).

In order to limit currency risk in business transactions carried out in foreign currency or in those that are dependent on foreign currencies, the development of exchange rates is monitored constantly. Currency risk is quantified regularly and significant exposures to such risk are hedged in such a way as to minimize the risk of exchange losses. An initial hedge is provided through items that are naturally self-contained (natural hedge), for instance the payments received from deliveries and services in USD balanced by payments made for deliveries and services in USD. With respect to exchange rate risks from operative business, payments for materials invoiced in USD mean that Novomatic Group is a USD net payer at present and for the medium term.

The following chart, which is based on reasonable judgment, shows the effects of possible exchange rate fluctuations of +/- 0.10 USD to EUR on profit before taxes and on equity.

EUR m	2014		2013	
Exchange rate fluctuation, USD to EUR	+10 USD Cent	-10 USD Cent	+10 USD Cent	-10 USD Cent
Change in profit before taxes	0.2	-0.2	3.4	-3.9
Change in equity	0.2	-0.2	2.5	-2.9

As of the balance sheet date, the financial liabilities on which interest has to be paid were mainly in EUR and otherwise in USD or other currencies. Group companies with an accounting currency other than their financing currency were hence exposed to foreign exchange risk in terms of the financing currency (mainly EUR and USD).

#### c. Capital investments

Risks in capital investments essentially cover market price and valuation risks. The capital investments held by the NOVOMATIC Group are comprised mainly of gold as well as exchange-traded shares, and they were hence exposed to price fluctuations during the reporting year.

In June of 2009, Novomatic AG invested EUR 1.0 million in the participation capital of an Austrian banking institution. As agreed upon, the bank repaid the capital in full at maturity in September 2014.

There were no further significant capital investment-related events in 2014.

## Other Information

### Group audit fees

The expenses for services provided by the Group auditor (including the network in accordance with section 271b of the Austrian Company Code) present themselves as follows:

EUR m	2014	2013
Group audit and audit of financial statements	2.0	1.5
Audit-related services	0.2	0.2
Tax advisory services	0.2	0.0
Other consulting services	0.2	0.0

### Related party transactions

Novo Invest GmbH in Gumpoldskirchen is the parent company of Novomatic AG. These consolidated financial statements of the Novomatic Group are therefore included in the consolidated financial statements of Novo Invest GmbH being the ultimate parent company and are filed at the Regional Court of Wiener Neustadt under FN 381832v.

For the NOVOMATIC Group, the total amounts of related-party transactions for the respective period are summarized in the following table:

EUR m	Associated companies		Management		Other	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Receivables	0.0	0.3	0.0	0.0	6.1	1.1
Liabilities	0.0	0.0	0.1	0.1	3.1	6.6
Revenues	0.0	2.9	0.0	0.0	15.8	9.5
Material cost	0.0	0.0	0.0	0.0	33.7	40.1
Consulting services	0.0	0.0	0.4	0.4	0.2	0.2
Research and development	0.0	0.0	0.0	0.0	8.9	8.4
Other expenses	0.0	1.5	0.0	0.2	2.7	2.3

Transactions with associated companies result from the business-related exchange of goods and services. Associated companies are listed within the scope of consolidation.

The heading "Management" comprises the Supervisory Board and the Executive Board of NOVOMATIC AG. The business relationships with the management result from consulting services. The management's remuneration is disclosed under the heading "Company bodies."

Other related parties are essentially companies that are controlled by the management or by the shareholders of NOVOMATIC AG. Transactions with these other related parties result from the delivery of goods and services, rental fees, and research and development services.

Accounts receivable are unsecured and are settled in cash. Guarantees were neither given nor received.

## Contingent liabilities

EUR m	12/31/2014	12/31/2013
Bill commitments	0.2	0.3
Guarantees	6.8	9.2
<b>Total</b>	<b>7.0</b>	<b>9.5</b>

The Group has issued payment guarantees to UniCredit Bank Austria AG amounting to EUR 1.0 million (previous year: EUR 1.0 million) for Mega Games Srl. Bozen in favor of Atlantis World Group of Companies N.V. Netherlands and another one amounting to EUR 0.5 million (previous year: EUR 0.5 million) in favor of an employee. In Italy, payment guarantees amounting to EUR 5.3 million (previous year: EUR 6.7 million) were granted to the regulatory authority ADM (formerly AAMS).

## Subsequent events after the balance sheet date

### Financing

In January 2015, NOVOMATIC AG redeemed a bond (at maturity) that had been admitted to trading on the second regulated market at the Vienna stock exchange with a volume of EUR 200.0 million.

### Acquisitions

In January 2015, Extra Games Entertainment GmbH, Germany, acquired a 100% stake in Domino Automaten Betriebs GmbH, Germany, which operates nine gaming halls in eight locations. Furthermore, the company acquired a 100% stake in Casino Entertainment Verwaltungs GmbH, Germany and a limited partner's interest in Casino Entertainment GmbH & Co KG, Germany, which operates thirteen gaming halls. With these acquisitions, the Group strengthened its market position in the German gaming sector.

In January 2015, a 60% stake in Euromat S.r.l., Italy, was acquired by Novomatic Italia S.p.A., Italy. This transaction involved the operation of a gaming hall and the installation of AWP machines in areas where food and drink are served. Call and put options have been agreed upon for the remaining 40% of non-controlling interest. The Group's position in the Italian market for machine placement was strengthened as a result of this acquisition.

In January 2015, Greentube Internet Entertainment Solutions GmbH, Austria, acquired a 70% stake in Bluebat Games Inc., Canada, via a newly founded subsidiary. The acquired company operates in the field of software development for social games. Call and put options have been agreed upon for the remaining 30% stake of non-controlling interests. With this acquisition, the NOVOMATIC Group aims to strengthen its business activities in the field of online gaming.

In February 2015, a 100% stake in Abzorba Games LLC, USA, was acquired by Greentube Internet Entertainment Solutions GmbH, Austria, also via a newly founded subsidiary. The acquired company develops social casino and multiplayer games based on its own gaming platform. This acquisition likewise reinforces the Group's activities in the field of online gaming.

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

The preliminary fair values of the acquisitions listed above are as follows:

EUR m	Fair value
Intangible assets	1.4
Property, plant and equipment	2.3
Other non-current assets	0.7
Deferred tax assets	0.0
Inventories	0.0
Cash and cash equivalents	4.0
Other current assets	1.1
Non-current liabilities and provisions	0.0
Deferred tax liabilities	0.0
Current liabilities and provisions	-5.4
<b>Net assets</b>	<b>4.0</b>
<b>Non-controlling interests</b>	<b>0.0</b>
Goodwill	19.5
<b>Consideration</b>	<b>23.5</b>

The consideration for the listed acquisitions amounted to EUR 23.5 million, with EUR 20.5 million being paid in cash (of which EUR 19.5 million has already been transferred) and EUR 3.0 million resulting from contingent considerations. The conditional purchase price is dependent on the development of underlying earnings figures during future periods up to and including the year 2017 and was calculated using discounted cash flows.

Goodwill resulting from the acquisitions reflects the expected strategic advantages for the Group due to the expansion of operational business activities in the corresponding markets. Based on the preliminary assessment, the goodwill resulting from these acquisitions is not tax-deductible.

Purchase price allocations are not yet fully completed, for which reason the information provided above is based on the acquired companies' latest available financial data.

Concessions

With regard to the legal conditions prevailing in Vienna, we refer to the Management report.

## Company Bodies

The following members of the Executive Board were appointed for the 2014 fiscal year:

- Dr. Franz Wohlfahrt (CEO until 30 September 2014)
- Mag. Harald Neumann (CEO since 1 October 2014)
- DI Ryszard Presch (Deputy Chairman of the Executive Board)
- Mag. Thomas Graf (CTO)
- Mag. Peter Stein (CFO)

In fiscal year 2014, the Supervisory Board consisted of the following members:

- Senator Herbert Lugmayr (Chairman of the Supervisory Board)
- Helmut Jell (Deputy Chairman of the Supervisory Board until 4 September 2014)

- Mag. Dr. Karl Pour (until 4 September 2014)
- Dr. Christian Widhalm (Deputy Chairman of the Supervisory Board since 4 September 2014)
- Mag. Martina Kurz (since 4 September 2014)
- Mag. Barbara Feldmann (since 4 September 2014)
- Mag. Martina Flitsch (since 4 September 2014)

The current total remuneration of the members of the Executive Board of Novomatic AG amounted to EUR 11.4 million in fiscal year 2014 (previous year: EUR 5.9 million). Of the expenses for severance payments and pensions, EUR -1.6 million (previous year: EUR 1.2 million) and EUR 3.3 million (previous year: EUR 0.4 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.4 million (previous year: EUR 0.2 million) for their functions during fiscal year 2014. No loans or contingencies were granted to members of the Supervisory Board or of the Executive Board in fiscal year 2014.

## Publication

The present consolidated financial statements were released on 17 April 2015 by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

Gumpoldskirchen, 17 April 2015

The Executive Board of Novomatic AG:

**Mag. Harald Neumann**  
CEO

**DI Ryszard Presch**  
Deputy CEO

**Mag. Thomas Graf**  
CTO

**Mag. Peter Stein**  
CFO



Mag. Martina Kurz, Mag. Barbara Feldmann, Senator Herbert Lugmayr, Dr. Christian Widhalm, Mag. Martina Flitsch

# » AUDITOR'S REPORT

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from 1 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 December 2014, and the notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the Group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2014 and of its financial performance and its cash flows for the fiscal year from 1 January 2014 to 31 December 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

## Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Group's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

Vienna, 17 April 2015

Deloitte Audit Wirtschaftsprüfungs GmbH

**Dr. Christoph Waldeck**  
Certified Public Accountant

**ppa. Mag. Barbara Müllner**  
Certified Public Accountant

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# INDIVIDUAL FINANCIAL STATEMENT

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# » BALANCE SHEET

as of 31 December 2014

Assets

A. FIXED ASSETS		12/31/2014	12/31/2013
	EUR	EUR	KEUR
<b>I. Intangible assets</b>			
1. Industrial and similar rights and assets and licences in such rights and assets	39,266,740.78		37,035
2. Advance payments	0.00	39,266,740.78	10
<b>II. Tangible assets</b>			
1. Land, buildings and improvements to third-party buildings	152,348,349.47		170,373
2. Plants and machinery	108,829.55		122
3. Office fixtures, fittings and equipment	1,928,755.79		1,799
4. Tangible assets in course of construction	6,327,794.57	160,713,729.38	2,852
<b>III. Financial assets</b>			
1. Shares in affiliated companies	556,946,613.47		472,472
2. Loans to affiliated companies	274,593,801.54		309,347
3. Investments	475,000.00		475
4. Loans to associated companies	842,620.29		771
5. Securities held as fixed assets	21,841,009.32		17,131
6. Other loans	4,779,104.16	859,478,148.78	21,448
		<b>1,059,458,618.94</b>	<b>1,033,835</b>
<b>B. CURRENT ASSETS</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	388,288.85		530
2. Receivables from affiliated companies	26,282,779.61		118,319
3. Other receivables and assets	36,599,521.96	63,270,590.42	30,939
<b>II. Securities and interests</b>		11,709,812.59	17,723
<b>III. Cash, bank deposits</b>		229,202,385.98	71,974
		<b>304,182,788.99</b>	<b>239,485</b>
<b>C. PREPAID EXPENSES</b>			
1. Prepaid expenses	6,089,835.05		1,008
2. Deferred tax assets	7,001,535.16		8,439
3. Discount	496,387.73		520
		<b>13,587,757.94</b>	<b>9,967</b>
		<b>1,377,229,165.87</b>	<b>1,283,287</b>

## Shareholders' Equity and Liabilities

A. SHAREHOLDERS' EQUITY	12/31/2014	12/31/2013
	EUR	KEUR
I. Share capital	26,000,000.00	26,000
II. Capital reserves (tied up)	976,371.00	976
III. Profit reserves (Legal reserves)	1,623,629.00	1,624
IV. Retained profits (of which retained profits brought forward EUR 242,953,956.11, prior year: KEUR 233,173)	263,298,368.39	282,954
	<b>291,898,368.39</b>	<b>311,554</b>
<b>B. UNTAXED RESERVES</b>		
Valuation reserve from special depreciation allowances	<b>19,185.43</b>	<b>138</b>
<b>C. PROVISIONS</b>		
1. Provision for severance payments	1,403,862.00	9,332
2. Provision for pensions	6,665,662.00	3,327
3. Provision for corporate income tax	3,546,697.50	2,383
4. Other provisions	6,155,760.63	6,125
	<b>17,771,982.13</b>	<b>21,167</b>
<b>D. LIABILITIES</b>		
1. Bonds	800,000,000.00	600,000
2. Due to banks	82,034,060.92	214,699
3. Trade payables	4,499,996.64	3,314
4. Payables to affiliated companies	155,787,668.96	110,230
5. Payables to associated companies	0.00	11
6. Other liabilities		
a. of which taxes	952,009.96	720
b. of which social security	166,620.24	138
c. others	24,099,273.20	21,316
	<b>1,067,539,629.92</b>	<b>950,428</b>
	<b>1,377,229,165.87</b>	<b>1,283,287</b>
Contingent liabilities	<b>85,990,757.12</b>	<b>72,802</b>

# » PROFIT AND LOSS ACCOUNT

for the period from 1 January 2014  
to 31 December 2014

	2014		2013
	EUR	EUR	KEUR
<b>1. Sales</b>		74,038,366.51	70,685
<b>2. Other operating income</b>			
a. Income from the disposal of fixed assets except financial assets	504,712.19		234
b. Income from the release of provisions	87,738.32		0
c. Other	9,623,068.55	10,215,519.06	7,778
<b>3. Personnel expenses</b>			
a. Salaries	-13,456,157.99		-8,012
b. Expenses for severance payments and contributions to external severance payments funds	1,322,084.05		-1,347
c. Pension expenses	-3,378,696.91		-394
d. Cost of statutory social security, payroll-related taxes and mandatory contributions	-1,628,614.96		-1,296
e. Other social expenses	-301,371.29	-17,442,757.10	-373
<b>4. Amortization and depreciation</b>			
a. of intangible assets and of tangible assets (thereof extraordinary depreciation EUR 4,231,797.68; prior year: KEUR 0)	-29,200,650.56		-23,403
b. of current assets if exceeding the normal depreciation in the company	0.00	-29,200,650.56	-8,325
<b>5. Other operating expenses</b>			
a. Taxes not included in line 15	-258,642.50		-155
b. Other	-46,078,481.68	-46,337,124.18	-32,569
<b>6. Operating income</b> (subtotal of lines 1 to 5)		<b>-8,726,646.27</b>	<b>2,823</b>

7. Investment income (thereof from affiliated companies: EUR 58,000,000.00; prior year: KEUR 90,913)	58,000,000.00	90,929
8. Income from other investments and long term loans (thereof from affiliated companies: EUR 11,856,903.52; prior year: KEUR 9,606)	12,591,517.92	11,000
9. Other interest and similar income (thereof from affiliated companies: EUR 0.00; prior year: KEUR 1)	1,149,291.56	2,500
10. Gain from the disposal of and the appreciation to financial assets and securities held as current assets	3,683,280.51	3,763
11. Expenses from financial assets and securities held as current assets (thereof depreciation: EUR 13,509,326.50; prior year: KEUR 18,275) (thereof from affiliated companies: EUR 2,511,880.90; prior year: KEUR 3,186)	-13,519,076.50	-31,808
12. Interest and similar expenses (thereof relating to affiliated companies: EUR 786,302.86; prior year: KEUR 94)	-36,900,078.05	-36,121
<b>13. Financial result</b> (subtotal of lines 7 to 12)	<b>25,004,935.44</b>	<b>40,263</b>
<b>14. Results from ordinary activities</b>	<b>16,278,289.17</b>	<b>43,086</b>
15. Taxes on income (thereof tax apportionment EUR 7,539,442.06; prior year KEUR 6,658)	3,947,245.05	6,684
<b>16. Net income for the year</b>	<b>20,225,534.22</b>	<b>49,770</b>
17. Disposals of untaxed reserves Valuation reserve from special depreciation allowances	125,436.34	21
18. Allocation to untaxed reserves Valuation reserve from special depreciation allowances	-6,558.28	-10
<b>19. Net profit for the year</b>	<b>20,344,412.28</b>	<b>49,781</b>
20. Profits carried forward from previous year	242,953,956.11	233,173
<b>21. Retained profits</b>	<b>263,298,368.39</b>	<b>282,954</b>

# » NOTES

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## for the financial year 2014

### **I. ACCOUNTING AND VALUATION PRINCIPLES**

The annual accounts were prepared in compliance with the relevant requirements and generally accepted accounting principles in order to present a true and fair view, in all material respects, of the financial position and results of the operations.

The principles of completeness and non-arbitrariness were applied. Valuation followed the principles of adequate and orderly accounting as well as the going concern assumption, and was based upon the valuation principles applied to last year's annual accounts, unless changes in the valuation principles are explicitly stated for the individual item. Assets and liabilities were assessed individually at balance sheet date.

In accordance with the principle of prudence, only profits realized as of balance sheet date are shown, and all apparent risks and impending losses that incurred during the current period or in previous periods were considered.

The profit and loss account was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss account showing a zero balance for the current and the previous period were not listed in accordance with section 223 para 7 of the Austrian Commercial Code.

The intangible assets, only if acquired against payment, as well as the tangibles were stated at cost of acquisition or production less the scheduled depreciation corresponding to the expected useful life and less a potentially necessary extraordinary depreciation. Through the allocation to a valuation reserve in accordance with section 205 para 1 of the Austrian Commercial Code, low-value assets are fiscally completely written off in the year of their acquisition or production.

Receivables and other assets were stated at nominal value less necessary allowances. Overdue receivables were discounted and, for bad debts, a lump sum value adjustment was allowed.

In application of the principle of prudence, all identifiable risks and all liabilities of uncertain amount or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their redemption amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.

## II. EXPLANATIONS CONCERNING THE BALANCE SHEET

### ASSETS

#### A. Fixed Assets

##### 1. Intangible and tangible assets

Fixed assets are stated at cost of acquisition or production less planned linear depreciation corresponding to the estimated useful life.

The development of each item in the fixed assets and the breakdown of the annual depreciation are shown in the fixed assets schedule.

##### 1.1. Intangible Assets

Intangible assets are stated at acquisition cost less planned linear depreciation according to a useful life of 4–10 years.

Additions of about KEUR 20,588 primarily concern specific software rights that were acquired or developed by Austrian Gaming Industries GmbH, an affiliated company.

The book values of intangible assets acquired from affiliated companies add up to KEUR 36,709 (previous year: KEUR 32,437).

##### 1.2. Tangible Assets

The real estate value of undeveloped and developed land amounts to KEUR 37,258 (previous year: KEUR 39,649).

Other tangible assets are stated at cost of acquisition or production less planned linear depreciation (spread over 25 to 50 years for buildings, 4 to 10 years for movable assets and structural investments). Low-value assets such as factory and office equipment were capitalized through the allocation to a valuation reserve in accordance with section 205 para 1 of the Austrian Commercial Code.

The significant additions of the current year concern the acquisition of two properties located in Bruck an der Leitha.

##### 2. Financial assets

Financial assets are valued at their acquisition costs.

Securities are valued at their acquisition costs or at their lower market values as of the balance sheet date.

Impairment of book values of domestic and foreign investments will be applied in case of:

- a persistent deterioration of earnings, and/or
- the necessity of support from the shareholder, and/or
- deficient means and measures on the occasion of the acquisition, and/or
- reorganization measures that will not result in substantial profits in the foreseeable future and represent deficiencies that cannot be eliminated anytime soon, and/or
- losses that can no longer be absorbed by the affiliated company alone.

Impairment is not applied in cases of mere start-up losses.

Additions to the shares in affiliated companies amounting to KEUR 84,636 are mainly due to the capital increases of KEUR 83,400 at two Austrian subsidiaries as well as one in Italy and one in Germany.

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 274,594 (previous year: KEUR 309,347). This change concerned subsidiaries with promising growth prospects.

Other loans increased by KEUR 3,448 because of the appropriation of funds to business associates as well as decreased by KEUR 14,931 due to repatriations and reclassifications to investments. Thus, the total acquisition costs as of 31 December 2014 amount to KEUR 20,166 (previous year: KEUR 31,649). Accumulated impairment, amounting to KEUR 15,387 (previous year: KEUR 10,202), rose by KEUR 5,185 due to the lack of earning prospects of debtors.

Securities held as fixed assets in the amount of KEUR 487 have been reallocated to current assets due to the intention of disposal.

Of loans granted to affiliated companies, an amount of KEUR 6,445 (previous year: KEUR 6,449) is due within one year.

## B. Current assets

### 1. Receivables and other assets

#### 1.1. Trade receivables

Accounts receivable are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. Receivables are – as in the previous year – due within one year.

#### 1.2. Receivables from affiliated companies

Receivables from affiliated companies concern particularly allocations in the amount of KEUR 12,427 with the subsidiary Austrian Gaming Industries GmbH, KEUR 3,709 with the subsidiary HTM Hotel und Tourismus Management GmbH, and KEUR 3,614 with the subsidiary Wett Cafe Betriebs GmbH. The balances of HTM Hotel und Tourismus Management GmbH and Wett Cafe Betriebs GmbH include mainly the allocations concerning distribution of the tax burdens.

Intercompany receivables are managed on an open item basis with interest rates of 1.750 % to 5.250 %. Interest earnings are included in the financial result. The receivables from affiliated companies include trade receivables in the amount of KEUR 18,591 (previous year: KEUR 22,512). The remaining time to maturity of the receivables – as in the previous year – is less than one year.

#### 1.3. Other receivables and assets

Other receivables and assets amount to KEUR 36,599 (previous year: KEUR 30,939) and mainly concern a deposit related to precious metals amounting to KEUR 31,750 (previous year: KEUR 28,100). Other receivables in the amount of KEUR 66 (previous year: KEUR 66) are due in more than one year.

## C. Prepaid expenses

The prepaid expenses amounting to KEUR 13,588 consist of deferred tax assets, capitalized discounts and expenditures pertaining to 2014 and the following years.



## SHAREHOLDERS' EQUITY AND LIABILITIES

### A. Shareholders' Equity

The share capital of the Company amounts to KEUR 26,000, as in the previous year.

Capital reserves tied-up amounting to KEUR 976 and legal profit reserves amounting to KEUR 1,624 remained unchanged, whereby the total appropriated reserves – amounting to KEUR 2,600 – correspond to 10% of the share capital as required by law.

### B. Untaxed reserves

The valuation reserve concerns low-value assets according to section 13 of the Austrian Income Tax Act (EStG). The reserve created in previous years according to section 12 of the Austrian Income Tax Act (EStG) was released in 2014. Regarding the development of untaxed reserves, we refer to the enclosed supplement.

### C. Provisions

In compliance with the principle of prudence, all identifiable risks and liabilities of uncertain amount and/or origin at balance sheet date were accounted for by setting up provisions according to reasonable commercial judgment.

The provisions for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 2.0% (previous year: 2.9%) and assuming a pay increase of 2.5 % (previous year: 3%) . The minimum legal retirement age according to ASVG regulations was assumed. Deductions based on fluctuations or other circumstances were not included.

The expenses for severance payments, at KEUR -1,414 (previous year: KEUR 1,256), concern changes in provisions for severance payments.

An amount of KEUR 6,629 was paid in 2014 from prior year's current provision for severance payments (a balance of KEUR 7,749). The residual value amounting to KEUR 1,120 was released.

Due to irrevocable pension commitments, a pension provision was formed. The calculation was conducted applying actuarial principles in accordance with IAS 19 using the projected unit credit method with an interest rate of 2.0% (previous year: 2.9%) and value adjustments of 3%. Pension expenses, at KEUR 3,339 (previous year: KEUR 430), concern the changes in provisions.

Other provisions consist of those for auditing and consulting fees, for expenses for annual reports, for bonus payments for the Executive Board, for unconsumed vacation, and for jubilee payments. Provisions for jubilee payments were also calculated in line with actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 2.0% (previous year: 2.9%) and assuming a pay increase of 2.5% (previous year: 3%).

The provisions for unused vacation are calculated under the assumption of a divider of 18 working days per month.

We refer to the enclosed supplement showing the development of provisions.

The provision for the deferred tax liability amounting to KEUR 3,547 (previous year: KEUR 2,383) has been accrued due to the allocation of losses of foreign group members according to section 9 of the Austrian Corporate Income Tax Act (KStG), which are

taxable in Austria at the time of utilization of losses according to the applicable foreign law. Due to the different maturities, the deferred tax liabilities have not been netted with the deferred tax assets, which are shown separately as prepaid expenses.

## D. Liabilities

### Maturity

KEUR	Total liabilities		
	with maturity of less than 1 year	with maturity of 1 to 5 years	with maturity of over 5 years
<b>Bonds</b>	200,000	400,000	200,000
(previous year)	0	350,000	250,000
<b>Due to banks</b>	63,224	12,810	6,000
(previous year)	5,520	176,510	32,669
<b>Trade payables</b>	4,500	0	0
(previous year)	3,314	0	0
<b>Payables to affiliated companies</b>	155,460	328	0
(previous year)	109,908	322	0
<b>Other liabilities</b>	25,218	0	0
(previous year)	22,173	0	0

In 2010, two bonds were issued as part of an issuance program in order to support further growth in the areas of development, production and gaming operations. The January 2010 bond has a volume of KEUR 200,000, a maturity of 5 years and bears interest of 4.5% p.a.; the October 2010 bond has a volume of KEUR 150,000, a maturity of 7 years and bears interest of 5% p.a.

In 2013, another bond was issued with a volume of KEUR 250,000, a maturity of 6 years and interest of 4% p.a., and in 2014 a bond was issued with a volume of KEUR 200,000, a maturity of 7 years and interest of 3% p.a.

Payables to affiliated companies amounting to KEUR 142,606 (previous year: KEUR 104,831) concern other liabilities. Of this sum, a significant amount of KEUR 142,554 (previous year: TEUR 99,952) is due to the implementation of cash-pooling agreements with Austrian subsidiaries during the reporting period. "Other liabilities" contains expenses in the amount of KEUR 25,179 (previous year: KEUR 22,076) that will become cash-effective only after the balance sheet date.

## E. Contingent liabilities

At balance sheet date, there are contingent liabilities amounting to KEUR 85,991 (previous year: KEUR 72,802); of this sum, an amount of KEUR 82,291 (previous year: KEUR 72,802) concerns affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies, and are composed as follows:

**a) Contingent liabilities**

KEUR				As of
Bank	Company in favor	Security	Ceiling	31 Dec. 2014
UniCredit Bank Austria AG Vienna	HTM Hotel und Tourismus Management GmbH	Comfort letter	7,418	7,418
UniCredit Bank Austria AG Vienna	I-NEW Unified Mobile Solutions AG	Guarantee	700	700
Raiffeisenlandesbank OOE	HTM Hotel und Tourismus Management GmbH	Comfort letter	3,000	3,000
Raiffeisenlandesbank Burgenland	I-NEW Unified Mobile Solutions AG	Guarantee	600	600
Raiffeisenlandesbank OOE	Admiral Casinos & Entertainment AG	Comfort letter	581	581
Erste Group Bank AG	Admiral Casinos & Entertainment AG	Guarantee	4,339	4,339
Oberbank Leasing	I-NEW Unified Mobile Solutions AG	Comfort letter	4,799	4,799
Hypo Bank Burgenland	Admiral Casinos & Entertainment AG	Guarantee	176	176
Hypo Bank Burgenland	I-NEW Unified Mobile Solutions AG	Guarantee	1,800	1,800
UniCredit Bank Austria AG Vienna	Crown Gaming S.A.C.	Guarantee	16,514	12,220
Erste Bank AG	Trust Company 3	Guarantee	3,700	3,700
Nord LB	Admiral Sportwetten GmbH, Germany	Guarantee	1,500	1,500
Svenska Handelsbanken AB	Astra Games Ltd.	Guarantee	7,158	7,158
UniCredit S.p.A., Roma	NOVOMATIC Italia S.p.A.	Guarantee	38,000	38,000
<b>TOTAL</b>				<b>85,991</b>

**b) Off-balance-sheet transactions**

In 2014 a letter of comfort was issued to an Austrian subsidiary.

**c) Information regarding the nature of created physical securities**

KEUR			
Nature of the created physical security	Number of contribution	Cadastre	Amount
Mortgage as security for a loan	3184	Mödling	3,000

**F. Other financial obligations**

Obligations from current lease contracts comprise:

KEUR		
	Due within 1 year	Due within 5 years
Obligations from current lease contracts	1,123	5,614
(previous year)	1,048	5,241

### III. EXPLANATIONS CONCERNING THE PROFIT & LOSS ACCOUNT

#### 1. Breakdown of sales

##### 1.1. Areas of activity

KEUR	Reporting period	Previous year
Income from trademarks and licenses	50,287	46,717
Provision of personnel	3,763	3,660
Income from rental and operating costs	19,988	20,308
	<b>74,038</b>	<b>70,685</b>

##### 1.2. Geographical areas

TEUR	Reporting period	Previous year
Domestic income	64,105	61,578
International income (EU)	9,933	9,107
	<b>74,038</b>	<b>70,685</b>

#### 2. Extraordinary Depreciation

An extraordinary depreciation for Viennese casinos was recognized in the 2014 financial year due to the prohibition of the small gaming industry in Vienna from 2015. An accrual for this depreciation had been created in 2013, for which reason its impact on profit in 2014 was limited to TEUR 4,232.

#### 3. Taxes on income

Taxes only affect results from ordinary activities.

NOVOMATIC AG has taken the opportunity of forming a tax group pursuant to section 9 of the Austrian Corporate Income Tax Act (KStG).

Group members are:

- HTM Hotel- und Tourismus Management GmbH, Austria
- Wett Cafe Betriebsgesellschaft m.b.H., Austria
- ADMIRAL Casinos & Entertainment AG, Austria
- Gastronomie- und Unterhaltungselektronik Betriebs GmbH, Austria (since 2014)
- Novomatic Italia S.p.A., Italy
- Novomatic Investment Chile S.A., Chile

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5% or 25% (tax rate pursuant to section 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. For the allocated losses there exists a symmetrical agreement, whereas losses that cannot be allocated are to be credited as "internal tax loss carried forward" at 21.5% of the assessment basis if they are usable.

In case of elimination of a member from the tax group, negative – unused – results of the group member will be charged with 21.5% of the assessment basis on the final settlement.

No tax apportionment contracts were concluded with the foreign group members.

In detail, the item taxes on income presents itself as follows:

KEUR	
Corporate income tax expense, 2014	4
Corporate income tax expense, previous years	30
Corporate income tax expense for deferred taxes	2,601
Foreign withholding tax expense	957
Expense from tax apportionment "tax group" previous years	0
Income from tax apportionment "tax group"	-7,539
<b>Total</b>	<b>-3,947</b>

#### IV. INFORMATION ON SIGNIFICANT INVESTMENTS

Company, domicile	Share	Book value as of	Equity	Annual result
		12/31/14		
		EUR	EUR	EUR
Novomatic Italia SpA, Rimini (Italy)	100%	245,915,000	168,964,539	5,608,014
ADMIRAL Casinos & Entertainment AG (Austria)	100%	65,000,000	36,722,050	-16,022,544
Austrian Gaming Industries GmbH, Gumpoldskirchen (Austria)	100%	164,304,397	807,669,668	267,099,143
HTM Hotel- u. Tourismus Management GmbH, Gumpoldskirchen (Austria)	100%	1,072,607	58,894,430	21,260,961
Trust Company 10	100%	55,000	54,688	-118,828
NMN Automatentechnik GmbH (Austria)	99%	2,619,219	3,055,025	129,740
Novomatic Forum GmbH (Austria)	100%	65,000	66,110	-3,705
Novomatic Investment Chile S.A., Santiago (Chile)	100%	1,344,421	3,465,119	9,110,420
Novo Immobilien GmbH, Bingen/Rhein (Germany)	99.8%	3,000,000	13,543,795	2,303,681
Norddeutsche Spielbanken GmbH (Germany)	100%	25,000	20,464	-2,600
Novomatic Americas Holdings Inc., Florida (USA)	100%	10,756,341	11,252,710	-36,271
Spielbank Berlin G.Jaenecke GmbH & Co.KG (Germany)	92.04%	13,562,000	11,328,905	703,267
Spielbank Berlin Entertainment GmbH & Co.KG (Germany)	92.50%	34,001	-3,645,010	248,687
Spielbank Berlin nat.Beteiligungsges mbH & Co.KG (Germany)	100%	2,730,002	2,156,548	-430,390
I-NEW Unified Mobile Solutions AG (Austria)	76.814%	12,586,735	-6,846,549	-2,311,541
Novo Lottery Solutions GmbH (Austria)	100%	27,000,000	25,744,977	-1,123,151
Novo Lottery Solutions Iceland hf	0.36%	245,56	16,176,336	-752,796
SIM Spielbanken Investitions- und Management GmbH, Frankfurt (Germany)	100%	25,619	36,786	-3,629
SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co.KG, Frankfurt (Germany)	100%	6,851,026	6,912,557	514,696
Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H. (Austria)	47.5 %	475,000	486,722	138,477

Statements concerning intragroup relationships are omitted in accordance with section 241 para 3 of the Austrian Commercial Code.

## V. INFORMATION ON FINANCIAL INSTRUMENTS

On 12 April 2007, an interest rate swap with a nominal value of KEUR 30,000 and maturity date of 16 April 2014 was concluded.

In order to hedge the interest level, another interest rate swap with a nominal value of KEUR 30,000 and a maturity date of 7 May 2014 was concluded on 6 May 2009.

Both interest rate swaps, with maturity dates of 16 April 2014 and 7 May 2014, have expired.

## VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

### 1.1. Average number of employees during the fiscal year

Number of employees: 87 (previous year: 67)

### 1.2. Members of the Executive Board and the Supervisory Board during the fiscal year

Executive Board:

- Dr. Franz Wohlfahrt, chairman (until 30 September 2014)
- Mag. Harald Neumann, chairman (since 1 October 2014)
- Dipl. Ing. Ryszard Presch, deputy chairman
- Mag. Peter Stein, CFO
- Mag. Thomas J. Graf, CTO

Supervisory Board:

- KR Herbert Lugmayr, chairman
- Helmut Jell, deputy chairman (until 4 September 2014)
- Mag. Dr. Karl Pour, member (until 4 September 2014)
- Dr. Christian Widhalm, deputy chairman (since 4 September 2014)
- Mag. Barbara Feldmann, member (since 4 September 2014)
- Mag. Martina Kurz, member (since 4 September 2014)
- Mag. Martina Flitsch, member (since 4 September 2014)

### 1.3. Other information

During fiscal year 2014, gross payments in the amount of EUR 10,990,647.43 were made to members of the Executive Board. No advances, loans or liabilities were granted to members of the Executive Board. Payments made to members of the Supervisory Board during the fiscal year amounted to EUR 413,300.00.

Expenses for severance payments and pensions for the members of the Executive Board amounted to EUR -1,556,638.15 and EUR 3,338,600.00 respectively.

The item "expenses for severance payments and contributions to external severance payment funds" includes payments to external severance payment funds amounting to KEUR 92 (previous year: KEUR 91).

### 1.4 Consolidated financial statements

NOVOMATIC AG is required by law to prepare and disclose subgroup consolidated financial statements according to section 246 para 3 of the Austrian Commercial Code. The subgroup consolidated financial statements of NOVOMATIC AG are included in the consolidated financial statements of Novo Invest GmbH with its registered office in Gumpoldskirchen - as head of the group - and are filed at the Regional Court of Wiener Neustadt under FN 381832v

### 1.5 Audit fees

Fees for the audit of the financial statements and expenses for other services of the auditor are presented in the subgroup consolidated financial statements of NOVOMATIC AG.

## VII. SPECIAL INFORMATION ON SHAREHOLDING COMPANIES

The share capital of EUR 26,000,000.00 is fully paid up and is divided into 26,000,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, 17 April 2015

NOVOMATIC AG

**Mag. Harald Neumann**  
CEO

**DI Ryszard Presch**  
Deputy CEO

**Mag. Peter Stein**  
CFO

**Mag. Thomas Graf**  
CTO

# » FIXED ASSETS

as of 31 December 2014

	Costs						Balance as of 12/31/2014
	Balance as of 01/01/2014	Additions	Transfers	Reallocation	Disposals		
<b>A. FIXED ASSETS</b>							
I. Intangible assets							
1. Industrial and similar rights and assets and							
licences in such rights and assets Rights	12,545,112.15	0.00	0.00	0.00	79,940.12	12,465,172.03	
Technical software	102,833,417.21	20,566,802.00	0.00	0.00	0.00	123,400,219.21	
Software	843,048.34	20,967.21	10,370.00	0.00	0.00	874,385.55	
Advance payments	10,370.00	0.00	-10,370.00	0.00	0.00	0.00	
	116,231,947.70	20,587,769.21	0.00	0.00	79,940.12	136,739,776.79	
II. Tangible assets							
1. Land, buildings and improvements to third-party buildings							
Land	4,433,234.68	3,636,341.12	0.00	0.00	0.00	8,069,575.80	
Buildings – real estate value	38,039,071.54	264,834.25	0.00	0.00	5,716,144.35	32,587,761.44	
Buildings – value of building	143,628,073.06	76,858.43	52,314.98	0.00	5,043,412.86	138,713,833.61	
Structural investments in leased property	2,796,640.30	0.00	0.00	0.00	479.64	2,796,160.66	
Buildings on non-owned land	24,735,393.35	0.00	0.00	0.00	0.00	24,735,393.35	
	213,632,412.93	3,978,033.80	52,314.98	0.00	10,760,036.85	206,902,724.86	
2. Plant and machinery							
Plant and machinery	212,930.38	0.00	0.00	0.00	0.00	212,930.38	
Tools and tool costs	21,353.26	0.00	0.00	0.00	0.00	21,353.26	
	234,283.64	0.00	0.00	0.00	0.00	234,283.64	
3. Office fixtures, fittings and equipment							
Fixtures and fittings	5,314,145.16	19,664.96	0.00	0.00	24,722.51	5,309,087.61	
Car pool	1,028,205.85	470,254.29	0.00	0.00	81,142.87	1,417,317.27	
Low-value assets	75,628.83	6,558.28	0.00	0.00	16,626.59	65,560.52	
	6,417,979.84	496,477.53	0.00	0.00	122,491.97	6,791,965.40	
4. Tangible assets in course of construction							
Tangible assets in course of construction	2,851,483.60	3,627,223.98	-52,314.98	0.00	98,598.03	6,327,794.57	
	2,851,483.60	3,627,223.98	-52,314.98	0.00	98,598.03	6,327,794.57	
	223,136,160.01	8,101,735.31	0.00	0.00	10,981,126.85	220,256,768.47	
III. Financial assets							
1. Shares in affiliated companies	475,788,063.39	84,636,424.61	0.00	0.00	0.00	560,424,488.00	
2. Loans to affiliated companies	310,947,026.07	98,874,545.98	0.00	0.00	131,277,770.51	278,543,801.54	
3. Investments	475,000.00	0.00	0.00	0.00	0.00	475,000.00	
4. Loans to associated companies	770,865.63	71,754.66	0.00	0.00	0.00	842,620.29	
5. Securities held as fixed assets	24,067,698.57	10,506,604.49	0.00	6,130,551.45	3,588,750.62	24,855,000.99	
6. Other loans	31,649,315.76	3,448,494.58	0.00	0.00	14,931,497.74	20,166,312.60	
	843,697,969.42	197,537,824.32	0.00	6,130,551.45	149,798,018.87	885,307,223.42	
<b>TOTAL</b>	<b>1,183,066,077.13</b>	<b>226,227,328.84</b>	<b>0.00</b>	<b>6,130,551.45</b>	<b>160,859,085.84</b>	<b>1,242,303,768.68</b>	





NOVOMATIC AG

# » DEVELOPMENT OF UNTAXED RESERVES

as of 31 December 2014

EUR	Balance as of 01/01/2014	Consumption	Release	Allocation	Balance as of 12/31/2014
Valuation reserve from special depreciation allowances					
Valuation reserve according to § 12 of the Austrian Income Tax Law	112,033.11	0.00	112,033.11	0.00	0.00
Valuation reserve for inferior assets according to § 13 of the Austrian Income Tax Law	26,030.38	0.00	13,403.23	6,558.28	19,185.43
<b>TOTAL</b>	<b>138,063.49</b>	<b>0.00</b>	<b>125,436.34</b>	<b>6,558.28</b>	<b>19,185.43</b>

NOVOMATIC AG

# » PROVISIONS

as of 31 December 2014

EUR					
<b>PROVISIONS</b>	Balance as of 01/01/2014	Consumption	Release	Allocation	Balance as of 12/31/2014
<b>1. Provision for severance payments</b>					
Provision for severance payments	9,332,265.00	6,629,145.00	1,566,310.00	267,052.00	1,403,862.00
<b>2. Provision for pensions</b>					
Provision for pensions	3,327,062.00	0.00	0.00	3,338,600.00	6,665,662.00
<b>3. Provision for corporate income tax</b>					
Provision for corporate income tax	2,383,142.96	0.00	0.00	1,163,554.54	3,546,697.50
<b>4. Other provisions</b>					
Provision for auditing and consulting fees	363,439.61	305,191.20	25,948.41	286,600.00	318,900.00
Provision for unconsumed vacation	950,609.18	950,609.18	0.00	1,088,532.63	1,088,532.63
Other provisions for personnel	1,640,000.00	1,640,000.00	0.00	4,300,000.00	4,300,000.00
Provision for jubilee payments	127,020.00	3,202.00	524.00	41,494.00	164,788.00
Other provisions	3,043,928.11	2,266,243.92	727,684.19	233,540.00	283,540.00
	6,124,996.90	5,165,246.30	754,156.60	5,950,166.63	6,155,760.63
<b>TOTAL</b>	<b>21,167,466.86</b>	<b>11,794,391.30</b>	<b>2,320,466.60</b>	<b>10,719,373.17</b>	<b>17,771,982.13</b>

# » AUDITOR'S REPORT

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## Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from 1 January 2014 to 31 December 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the fiscal year ended 31 December 2014, and the notes.

### Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of NOVOMATIC AG as of 31 December 2014 and of its financial performance for the fiscal year from 1 January 2014 to 31 December 2014 in accordance with Austrian Generally Accepted Accounting Principles.

## Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

Vienna, 17 April 2015

Deloitte Audit Wirtschaftsprüfungs GmbH,

**Dr. Christoph Waldeck**  
Certified Public Accountant

**ppa. Mag. Barbara Müllner**  
Certified Public Accountant

This English translation of the audit report was prepared for the client's convenience only. It is not a legally binding translation of the German audit report. The financial statements and our auditor's report may be published or transmitted together only if the financial statements and the management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ.

NOVOMATIC AG

# » REPORT OF THE SUPERVISORY BOARD



for the fiscal year 2014

In its four meetings held during the course of financial year 2014, the Supervisory Board was regularly informed by the Board of Directors on the business policy and dealt thoroughly with business developments and the position of the company. In addition, the Audit Committee heard reports from the Board of Directors and the auditor during the two meetings.

The annual financial statements of 31 December 2014 and the Management Report of the Board of Directors, to the extent that it explains the annual financial statements, have been examined with regard to accounting by Deloitte Audit Wirtschaftsprüfung GmbH, which was appointed as auditor by the Annual General Meeting and has been charged with providing an unqualified audit opinion.

The examination of the annual financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Board of Directors regarding the use of the net profits from 2014.

The annual financial statements drawn up by the Board of Directors were approved by the Supervisory Board and hence adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Corporation Act).

The Supervisory Board acknowledges and thanks the Board of Directors and all employees of NOVOMATIC AG's companies for their work during the financial year of 2014.

Gumpoldskirchen, April 2015  
The Supervisory Board

**Senator Herbert Lugmayr**  
Chairman

# » SPACE FOR NOTES

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# » IMPRINT

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